

Financial Incentives



Problem Overview

The Teacher Vacancy Grant Pilot Program provides a significant opportunity for Local Education Agencies (LEAs) to address their current staffing challenges while strengthening their long-term teacher pipeline. LEAs can use the available funds to create high-retention pathways to address staffing challenges at the district level or develop equitable access strategies aimed at specific district schools.

Evidence-based strategies pertaining to the provision of incentives for teachers may help LEAs effectively achieve these objectives. Research shows that the strategy of providing incentives can address some staffing challenges facing LEAs in recruiting and retaining high-quality teachers ([Goldhaber et al., 2015](#)). The strategies are based on best practices, research, and experiences from successful programs nationwide. Implementing these strategies can enable LEAs to create sustainable solutions that not only tackle their immediate staffing challenges but also support their long-term teacher pipeline.

Strategy Summary

Providing financial incentives to potential hires is one way to attract candidates. These incentives can include financial rewards for individuals to become teachers, teach in certain locations, or specialize in particular subjects. Programs focusing on incentives typically aim to attract individuals to the teaching profession; support teacher retention; and provide supplements to increase completion, placement, and retention rates. Additionally, pay-for-performance programs are another way to provide incentives to teachers whose positive impact is indicated by increased student performance.

The National Council on Teacher Quality identified three options for teacher financial incentives:

Differentiated pay

Performance pay

Pay for prior work

([Saenz-Armstrong, 2022](#))

Differentiated pay aims to attract teachers to traditionally hard-to-staff subjects or schools. Offering differential economic incentives to teachers in high-demand areas can help retain existing teachers and increase the future pool of teachers trained in these critical areas ([Goldhaber et al., 2015](#)). Other incentives, such as extra leave or preparation time, can be provided to teachers with heightened responsibilities or individualized duties ([Goldhaber et al., 2015](#)).

Performance pay systems compensate teachers based on student performance and/or teacher evaluations. Performance pay can be offered to individual teachers based on student performance or to all professional



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staff in a school if the students in that school meet specific goals. These programs – designed and implemented well – could potentially attract strong teachers to hard-to-staff schools. However, the evidence regarding effectiveness of performance pay is mixed.

Pay for prior work compensates teacher candidates for relevant prior experience and can help attract individuals who may consider changing careers or districts. Teacher salaries are not often an equal match for comparable professional salaries; however, studies have demonstrated that individuals with specific industry backgrounds or degrees exhibit a deeper understanding of the practical standards within their field of expertise. Consequently, they are better equipped to assess students’ strengths and weaknesses in the subject matter ([Saenz-Armstrong, 2022](#)). To attract candidates, districts that have not previously recognized a candidate’s years of service in their previous district(s) may now consider acknowledging and valuing that experience.

Other financial incentives may include:

Student loan repayment

Retention bonuses

Hiring bonuses

Relocation bonuses

Student loan repayment is a valuable financial incentive for LEAs that are aiming to attract and retain high-quality teachers. LEAs can offer assistance with student loan debt to entice potential candidates to teaching careers, especially those considering a career change or transitioning from other professions. This incentive also serves as a retention strategy, fostering loyalty among experienced teachers and reducing turnover rates.

Retention bonuses especially when paired with supportive working conditions like access to high-quality instructional materials, professional learning, and teacher leadership opportunities, may be one piece of a multifaceted strategy to improve retention outcomes and prevent new unfilled positions from occurring.

Hiring and relocation bonuses might help attract candidates to hard-to-staff districts or schools.

Considerations for Financial Incentive Programs: Differentiated Pay and Performance Pay

Research pertaining to teacher financial incentive programs has shown mixed results, raising student test scores in some cases but not in others.

Researchers think the discrepancy has to do with how programs are designed. For example, “Programs that reward teachers as a group encourage free-riding and do not improve student achievement. Programs that compensate teachers individually also have little to no effect on student achievement” ([Ober, 2019](#)) and “Researchers have found that programs that incorporate professional development and focus on more than just standardized test scores have shown a greater impact ([Stone, M. & Peetz, C. 2023](#)).

Incentive programs may be a more useful tool for recruitment and retention, particularly in hard-to-staff schools or subject areas. “I’d say there’s not much evidence that performance pay makes individual teachers more effective, meaning teachers don’t seem to work harder or work better when given performance pay or additional pay,” said Heather Peske, president of the National Council on Teacher Quality.

“But studies have shown that, overall, performance pay increases the overall quality of the teacher workforce by recruiting and retaining the most effective teachers. We need to pay all teachers like professionals, and we need to pay teachers more for working where we

need them the most, particularly when we want to attract the most effective teachers to the students who need them the most. So, performance pay or differentiated pay is one mechanism to be able to do that.”

A district that is considering using performance pay to address vacancies must carefully structure the program by focusing on the provision of support and incentives to teachers who adjust their practices to positively impact student performance – not just on standardized test outcomes.

A team of education specialists from the World Bank suggests following a three-step consideration process for the implementation of **pay-for-performance (PFP) programs** ([Beteille et al. 2021](#)):

STEP 1: Are the right preconditions in place?

Technical requirements, resources, and political will are three necessary (but not sufficient) pre-conditions for teacher PFP programs to be successful. Technical requirements include having a capable bureaucracy and reliable data systems that help identify effective and ineffective teachers. Without that capacity, PFP programs are doomed from the start. Teacher PFP programs are also expensive, with costs including not just the incentives, but the setting up and maintenance of the entire accountability framework for monitoring and evaluating. Finally, the importance of political will and teacher buy-in cannot be overemphasized.

– [Beteille et al. 2021](#)

STEP 2: What design and implementation features are important?

Four key issues are important to consider here:

- 1. Who gets rewarded?**
- 2. What gets rewarded?**
- 3. How do remarks get distributed?**
- 4. What form to give rewards in and how much?**

Although there is limited work here, [one study](#) suggests that in a loss-aversion model, whereby a bonus is given to all teachers upfront, but taken away from ineffective teachers at the end of the year, student performance improved.

– [Beteille et al. 2021](#)

STEP 3: What could derail performance pay interventions?

Common implementation challenges for compensation related to student performance include:

- Cheating
- Teaching to the test
- Test manipulation by excluding poorly performing students

For group-based incentives, free-riding could create problems. To help reduce these risks, it is crucial to have multiple checks to ensure tests are implemented with fidelity, and accountability systems that routinely observe teacher classroom behavior and practice.

– [Beteille et al. 2021](#)

Examples

Performance Pay Program

The Dallas Independent School District utilized a performance pay program beginning in 2016 that combined evaluation and instructional accountability with performance-based compensation. The district developed a performance pay program to attract and retain highly effective teachers in the district’s lowest-achieving schools. This effort produced the Accelerating Campus Excellence (ACE) program, which provided salary supplements to educators with a proven track record of high performance, encouraging them to work in the most educationally disadvantaged schools.

The results of this program were significant. ACE targeted educators willing to work in the most educationally disadvantaged schools and resulted in immediate and sustained increases in student achievement. ACE schools showed dramatic improvements, bringing average achievement in previously lowest-performing schools closer to the district average. When ACE stipends were largely eliminated, a substantial number of highly effective teachers

left, leading to a decline in test scores. The study emphasized the central importance of performance-based incentives in attracting and retaining effective educators in previously low-achievement schools ([Morgan, A. J., et al. 2023](#)).

Performance Pay Program

In 2012, the Tennessee Department of Education designated \$2.1 million to a one-year pilot program, offering the highest-rated teachers at schools that had the lowest test scores in the state a retention bonus to decrease turnover rates and elevate student performance. Of the 473 teachers who were eligible for the bonus, 321 were retained and paid the \$5,000 bonus ([University of Georgia, 2019](#)). Additionally, the following was noted:

- Priority schools that participated in the bonus program saw a significant improvement in reading test scores among students compared to similar non-participant schools in subsequent years, even after the retention bonus was removed.
- While impacts on math scores were only marginally significant, students still scored higher in this subject area in the years following the incentive distribution.

Differentiated Pay Recruitment Incentive

In Illinois, [Rockford Public Schools \(RPS\) 205](#) first approved recruitment incentives in [December 2018](#). They included the following:

- Relocation bonus \$3,000
- Housing assistance of \$3,000
- A sign-on bonus of \$3,000

The intended audience for these incentives were current teachers and new graduates that held a license in bilingual, secondary math, secondary science, or special education and who did not teach in RPS 205 at that time.

In [January 2022](#), the RPS 205 board approved an increase for the previously approved recruitment incentives, increasing them to the following:

- \$5,000 for bilingual, secondary math, and secondary science;
- \$7,000 for approved special education positions.

In [February 2023](#), the district continued to increase recruitment incentives to entice candidates to join RPS 205 in hard-to-fill positions:

- \$5,000 for bilingual, secondary math, and secondary science;
- \$7,000 for special education positions, including special education teachers, speech language pathologists, procedural coaches, social workers, and school psychologists.

The implementation of recruitment incentives has enabled Rockford Public Schools to provide incentives to 150 new employees, who are in hard-to-fill positions, over the last four years. Results are not yet available, but the district will report back to its board this winter.

Other Considerations and Next Steps

Providing incentives can be an effective strategy, but there are additional considerations to keep in mind:

- It is important to ensure that the incentives align with the district's overall goals and values and promote equity among teachers.

- Ongoing evaluation and refinement of incentive programs based on feedback and data analysis are crucial to ensure their effectiveness and impact.
- Teachers' unions must be full partners in any endeavor related to financial incentives. Districts and unions may consider adding requirements in bargaining agreements for continued employment if individuals take part in incentive payment.

Next steps for LEAs include:

- **Design and Implement the Incentive Program:** LEAs should carefully design, and structure their financial incentive programs based on:
 - Who will be rewarded?
 - What criteria will be used for rewarding teachers?
 - How will rewards be distributed?
 - What will the form and dollar amount of incentives be?
- **Implement Safeguards and Monitoring:** LEAs should put in place multiple checks and accountability systems to prevent potential issues such as cheating, teaching to the test, or test manipulation. Frequent classroom observations and evaluations can ensure that the incentives are being implemented effectively and fairly. This will help maintain the integrity of the program and ensure that incentives are truly benefiting students and teachers.
- **Align Incentives with District Goals and Values:** LEAs should ensure that the financial incentives align with the district's overall goals and values. The incentives should promote equity among teachers, ensuring that all teachers have equal opportunities to benefit from the program. This alignment will help in gaining support from teachers, administrators, and the community.
- **Evaluate and Refine the Program:** Ongoing evaluation and data analysis are crucial to determine the effectiveness and impact of the incentive program. LEAs should regularly assess whether the program is achieving its intended goals and making a positive impact on student outcomes and teacher retention. The program should be refined and adjusted, as necessary, based on feedback and data.
- **Invest in Professional Development:** LEAs should invest in professional development and training so that personnel who hire teachers effectively implement evidence-based practices related to financial incentives. This will ensure that personnel understand the program's objectives, eligibility criteria, and evaluation methods. Additionally, it will equip them with the skills to attract and retain high-quality teachers through the incentive program.
- **Collaborate with Teachers Unions:** Teachers unions must be involved as full partners in the design and implementation of any financial incentive program. Districts and unions can work together to negotiate and include requirements in bargaining agreements to ensure that teachers are engaged and committed to the program's success. This collaboration will help in overcoming potential challenges and building support for the incentive initiatives.
- **Regular and Systematic Reporting:** LEAs should regularly report back to their boards and the community on the progress and results of the financial incentive program. Transparent reporting will help build trust and demonstrate the program's impact and accountability.

Sources

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