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# SALARY SYSTEMS IN INDEPENDENT AND INTERNATIONAL SCHOOLS

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## I. The Big Picture

Many independent schools have been experiencing strong fund raising and endowment growth. Many, but not all, are also experiencing strong enrollment demand. On the other hand, there are also schools that are experiencing enrollment decline and need to think about innovative ways to control costs. The largest share of those costs is usually staff salary and benefits.

Most board members believe independent school teachers should be paid competitively in order to attract and retain the best. Salaries are going up in the public schools. Public schools are providing signing bonuses, helping young teachers to obtain mortgages and, yes, some are even beginning to provide flexible pay opportunities based on teaching quality. Thus, designing creative salary models and benefit packages that meet the needs of faculty at various stages of their careers is important for all of our independent and international schools regardless of their financial picture and regardless of current salary systems used.

All salary systems are based on a philosophical premise that sends signals to teachers about what a school values in its faculty. However, administrators over time have lost track of how teachers read those messages. Schools tinker with salary systems without having a real intellectual dialogue about what the system is designed to achieve. Many of these systems are broken and no longer serve the mission of the school.

Based upon interviews that this Consultant has conducted with thousands of teachers worldwide, one theme is obvious: Teachers are caregivers not risk takers. What are the implications?

## II. The First Principle of Teacher Compensation

Teachers want absolutely predictability of future earning power so as to minimize risk. That is why teachers like scales/grids because salary scales go up inexorably every year with a step increase and an inflation adjustment. In theory, salary scales eliminate bias and favoritism in salary determination and advancement. Most scales top out at 25 steps or less in Canada but some go to 50 steps and more.



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However, both administrators and teachers undermine salary scales over time in order to enable schools to recruit and/or retain talented teachers and/or for teachers to meet their individual needs. There are several ways in which scales are broken and the long-term effects are often insidious. They include:

A. Adding steps to scales that were once capped.

B. Paying teachers more for extra credits earned, often by up to 120 credits or more with a BA and similarly with an MA. Teachers may be earning credits that do not necessarily enhance the quality of their classroom teaching but earn them more money.

C. Adding more extracurricular or co-curricular pay for coaching, clubs, activities and other assignments.

D. Moving into administration or gaining a plethora of stipend-based titles. This is particularly common with the IB.

E. Moonlighting and tutoring to make ends meet.

Scales do not ensure an equitable workload. Quite the opposite occurs as teachers make “special deals”, i.e., lobby to have their particular activity added to the extracurricular system or create a job or title with pay attached to it and present it to the administration. This favors the teachers who are skilled negotiators and who have the time, energy and support at home to take on extra work. Often the job disappears but the stipend remains for a lesser job. We know of one School that increases stipends annually by the same percentage as base salaries and even includes stipends in the calculation of the retirement benefit.

A Teacher recently told our Firm that he had taken the department head role not because he wanted to supervise, evaluate and help fellow faculty grow but solely because of the additional remuneration and status the title conveyed. He said he would gladly have gone without the title, if he could have found a way to be paid more by staying in the classroom full-time.

Research for the past 30 years has shown that there is little or no correlation between effective teaching on the one hand and advanced degrees on the other. So why are so many salary systems based on advanced degrees? It sells well to parents, and the logic is that if a teacher has an advanced degree, he or she must be a more effective teacher. It is also an easy, non-judgmental way to make a salary decision.

This same research has also demonstrated that there is little or no correlation between effective teaching and longevity of teaching service beyond the first five years. So why are most salary systems based on longevity? It seems logical, it avoids controversy, and it supports seniority.



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Teachers are wiser and more knowledgeable about the mission of the school and its culture over time. But they do not necessarily improve with every additional year in the classroom unless they embrace pedagogical change and professional growth.

While 30% of independent schools still use salary scales; about 30% use the discretionary model whereby the head negotiates individual salaries upon employment and sometimes annually as well; and the remainder use a ladder or banded approach and something similar. Over time, all systems can favor the teacher who is an assertive lobbyist. This brings us to:

### III. The Second Basic Principle of Teacher Compensation

Teachers also want to be able to influence future earning power and to know the rules for doing so.

Once teachers have some predictability of future earning power, they run into a problem. Teachers need to have a way to make more money to address the needs of a new child, buying a car, purchasing a home, etc.

In Canada there are fewer steps than in most US public schools; the good news is that one gets to the top of the scale quickly. But the bad news is that one gets to the top quickly after which there is no more growth potential except when collective bargaining leads to an inflation adjustment.

So how do teachers take charge of their future earning power other than by taking on extra jobs?

### IV. The Legacy of Performance or Flexible Pay

One group of teachers in a boys' boarding school told us that they chose many extra duties and jobs in order to earn more money. Counseling, coaching, dorm supervision and other assignments were taken on. These teachers said they could not afford to give up the activity regardless of their age, energy level or effectiveness.

In response to the question: "How do you find time to prepare for class each day", these teachers answered: "We are not adequately prepared." The follow up question was: "But teaching is the basic reason you were hired." The answer was prophetic: "Yes, but we do not get paid extra for it!" This is the absurdity of paying extra for everything that once used to be a core part of the definition of a full-time job in an independent school, but not paying for quality of teaching.

The words "merit pay" or "performance pay" are usually met by teachers with the following concerns:

"How can you quantify teaching results? We are not making widgets like a company does."

"Merit pay may turn colleagues against one another in the pursuit of the money."



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“Bias and favoritism would naturally predominate.”

“There has been no history of fair and consistent evaluation in our school, so how could anyone know what is actually happening in and out of the classroom?”

These are just some of many legitimate challenges that teachers will raise about performance or flexible pay. What IS performance pay?

Performance pay (not “merit” but perhaps also labeled “flexible pay”) is money paid out differentially according to a credible evaluation process and based on a set of criteria and procedures set by the school and faculty together. It may or may not be added to base salary and might come instead in the form of a bonus, not added to base salary.

#### V. Key Conditions for the Success of Performance or Flexible Pay

1. A credible evaluation process that has a set of criteria and procedures that the teaching staff as well as administration have developed.
2. Trust in the evaluators themselves and the belief that they are knowledgeable and trained to do this work.
3. Trust that the performance pay decisions are made by a group of people, i.e., a team of administrators and teachers, not a sole evaluator.
4. Trust that performance pay is not being developed as a way to reduce salaries. Schools should only introduce performance/flexible pay when salaries are going up by a larger than normal annual amount. It is in this context that teachers see a “win-win” opportunity for them and the school.
5. A majority of teachers should be able to earn performance pay. Teachers resent it when a minority is doing well and a majority is not. It is a good idea to set a target for about 50%-60% of the faculty to earn performance pay in the first several years after such a system is introduced. Performance pay is not a penalty and it is not a given. It is an opportunity.

One client recently asked our Firm to evaluate how their so called “merit pay” system was working. We interviewed 30% of the faculty, some of whom were earning as much as a \$4000 more for the same teaching experience. The teachers who were earning merit pay had no idea why. The teachers who were not earning it, did not know why. The teachers who wanted to earn it, did not know how to do that.

This was not a “merit pay” system. This was the head’s personal discretionary pay approach and this reputation for unfairness and not knowing the rules of the game colors the opinion of many teachers and administrators toward any form of performance or flexible pay.



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Performance pay is pay set by a group of people in the administrative team, based on recommendations from a team of evaluators, based in turn on a set of criteria and set of procedures that are fair and open. Performance pay may be of varying amounts and not always added to base. It is important to keep this in mind. It means no one should be surprised in earning, or in not earning performance pay.

Performance pay may or may not be a part of a formal career ladder compensation structure. A career ladder is a system whereby the school spends its scarce salary resources according to the talents that teachers demonstrate over time. Teachers can move along a salary system on criteria other than simply longevity of experience or advanced degrees. Quality of teaching and quantity of workload as well as other criteria can weigh heavily here. These criteria often include: mentoring of and collaboration with fellow teachers; pastoral care for students; openness to change and innovation; and quality of relationships with the parents.

Approximately 40 % of independent schools have adopted career ladders over the years. These systems always involve some element of performance pay. Career ladders may be “instructor”, “teacher”, “senior teacher”, and “faculty leader” or similar titles. A shift from one category to the other, based on effective evaluation of overall performance, may bring a substantial increase in base salary OR may bring a bonus of some size.

For example, some schools with a “faculty leader” category may pay a lump sum bonus of \$5000 a year for two years, after which a teacher must be reevaluated. This designation is usually limited to a maximum of 10-20% of the entire faculty. Why? Why does a university not make all its teachers professors? They cannot afford it; not all deserve that designation; and grade inflation undermines credibility of judgment, whether in evaluating a student or a teacher.

Does performance pay work in independent schools? Yes, if the culture is ready for it, if it is developed for the right reasons and under the right circumstances and in combination with (and following) effective credible evaluation. However, there is an important proviso. Performance pay will fail if teachers in a school want it to fail. It will succeed if teachers want it to succeed. Career ladders often begin with a good buzz but then the system is not managed well and assertive teachers argue for pay bumps and ladder shifts. Those shifts should be initiated by the administration, not be something teachers apply for or build a portfolio “brag” sheet to make the case for a ladder shift.

Today many schools are using “Folio” as an online tool to record colleague conversation, classroom observation feedback “shout outs” of praise from peers, etc. However, Folio does not preclude an attachment at some level to a career ladder or flexible pay system.





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It is important for schools to hold periodically an intellectual dialogue on the subject of a school's salary system, its underpinning philosophy and how it is actually working. Littleford & Associates can assist with that dialogue. It is better to undertake such a review with no mandated change in mind, but rather with an open mind. We always recommend that a group of teachers, administrators and board members work together over a period of 6 to 12 months under the guidance of a set of rules and recommendations that our Firm makes after visiting the campus. The benefits are enormous both for the more mission appropriate expenditure of scarce school dollars and for the outcome of the process itself which allows teachers and board member to walk in each other's shoes.