

MOTIVATION OR DEMOTIVATION? A CASE STUDY OF SCHOOLTEACHERS' PERFORMANCE RELATED PAY SYSTEM REFORM IN CHINA

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Introduction

- Growing attention from scholars on the changes of the pay system in China (e.g. Jackson and Little, 1991; Peng, 1992; Takahara, 1992; Child, 1994; Warner, 1996, 1997; Yu, 1998; Cooke, 2004 etc.).
- Research gap of HRM and pay system in PSU sector in China (compare to SOEs and FIEs).
- New wave of pay system reform in PSU sector in China.
- In 2008, state schools within the compulsory education system were chosen as the target of the first tier of national PSU pay system reform; new PRP system introduced to all public primary and junior high schools from Jan. 1, 2009.

Aim of this research

- Introduce the national policy for the pay system reform for schoolteachers in China.
- Research objectives drawn from the debate of PRP for schoolteachers in literature.
- Research design of empirical case studies of six public schools.
- Discussion and analysis of how well the PRP scheme worked for schoolteachers in China.

Background

- The compulsory education system in China since 1986 (Compulsory Education Law of the PRC, 1986).
- In 2006, 5.59 million primary schoolteachers & 3.46 million junior high schoolteachers (Ministry of Education, 2008) .
- December 23rd 2008, “*The guide for the implementation of performance related pay in all schools in compulsory education*” (hereafter “the guide”) was released in a State Council executive meeting, officially announcing the launch of a pay system reform for all state schools within the compulsory education system in China.

Key principles of 'the guide'

1. PRP system for all primary and junior high schools in compulsory education from Jan. 1, 2009; average wage of schoolteachers equivalent to the average wage of local civil servants.
2. Individual schoolteacher's pay = 'basic performance pay'(70%, fixed) + 'encouraging performance pay'(30%, flexible).
3. Performance appraisal according to positions and responsibility.
4. Employee participation required.
5. Cut off of extra bonuses from alternative funding source (e.g. the traditional of 'sponsor fee' in China).

The debates of PRP for schoolteachers

- Popularity of PRP for schoolteachers in many countries (e.g., the UK, the US, Portugal, Israel etc.), while the empirical evidence for the superiority of PRP is still ambiguous, especially in the state schools where controversial results were observed (Murnane and Cohen, 1986; Eberts et al., 2002; Lazear, 2003; Marsden and Belfield, 2006; and Neal, 2011 etc.).
- Reasons for the concerns of PRP for schoolteachers: imprecise nature of teachers' work, multiple tasks, difficulty of performance control and monitor (Murnane and Cohen, 1986; Marsden, 2006 etc.).

Research objectives

Theory Category	Theory	Research objective proposed
Economic Theory	The New Economics of Personnel (NEP)	Q1: How does PRP fit into different schools in China?
Motivational Theory	Expectancy Theory	Q (2a): Can the employees improve performance by working harder? Q (2b): If the employee works harder, will he/she get higher pay? Q (2c): Do the employees perceive the bonuses they can receive by working harder to be valuable?
	Goal-setting Theory	Q3: How were the criteria for PRP decided upon in individual schools during the pay system reform?
	Agency Theory	Q4: Has the introduction of PRP helped to align the interests of different parties in public schools in China?

Research design

Case studies of six public schools within the compulsory education system in one county in southeast China (County M).

Table 1: List of selected schools

Case	Primary/Junior High	Urban/Rural	Official start of PRP system
School A	Primary school	Urban	1st January, 2009
School B	Primary school	Urban	1st January, 2009
School C	Primary school	Rural	1st January, 2009
School D	Junior high school	Urban	1st January, 2009
School E	Junior high school	Rural	1st January, 2009
School F	Junior high school	Rural	1st January, 2009

Research design (continued)

- Case study approach (Yin, 2003: 2009).
- Semi-structured interviews & document analysis.
- Back-translation of interview questions (Brislin, 1970; 1980).
- Interviewees: headteacher and sample teachers; government officials in the local personnel bureau and education bureau.
- Previous appointment through personal relationship; introduction of nature and purpose of the research in the beginning of each interview (verbal confidential agreement).
- No digital record, all interview data were recorded by taking notes during the interview.
- All data collected from the interviews were analyzed through a coding process with different levels.

Table 2: Data sources

Case Category	Case	Interviews	Documentation
State schools in the National Compulsory System	School A	<ul style="list-style-type: none"> Head teacher (2.5 hours) 	N/A
	School B	<ul style="list-style-type: none"> Head teacher (2 hours) Deputy head teacher (1.5 hours) 2 senior teachers (1.5 hours each) 	N/A
	School C	<ul style="list-style-type: none"> Head teacher (2 hours) 1 senior teacher (2 hours) 	<ul style="list-style-type: none"> Details of school PRP regulation (see Appendix 5 Sample A)
	School D	<ul style="list-style-type: none"> Head teacher (1.5 hours) 2 Senior teachers (1.5 hours each) 	<ul style="list-style-type: none"> Details of school PRP regulations (see Appendix 5 Sample B)
	School E	<ul style="list-style-type: none"> Head teacher (3 hours) 	<ul style="list-style-type: none"> Details of school PRP regulations Pay sheets for all schoolteachers (before vs. after)
	School F	<ul style="list-style-type: none"> Head teacher (3 hours) 	<ul style="list-style-type: none"> Details of school PRP regulations Individual pay sheets of the head teacher
	Local Government	<ul style="list-style-type: none"> Head of personnel bureau (2.5 hours) Head of education bureau (3 hours) Official of education bureau (2 hours) 	<ul style="list-style-type: none"> Government policy regarding the schoolteachers' PRP reform (national, provincial, and local government policies/guidelines) Government annual report (from city education bureau)
	National Government	<ul style="list-style-type: none"> Department head, Employment and Wage Research Centre, Ministry of Human Resources and Social Security of the PRC (2 hours) 	N/A

Result and analysis

Table 3: Average pay for PSU employees in the compulsory education system in County M (unit: yuan/year)

	Before the PRP reform	After the PRP reform	Change	Percentage Change (per cent)
Average wage of all employees	44,712	61,095	16,383	36.6
Average wage of head teachers	48,716	69,301	20,585	42.2
Average wage of employees in management positions	46,793	62,078	15,285	32.7
Average wage of schoolteachers	44,336	60,806	16,470	37.1
Allowance for schoolteachers in rural areas	2,550	2,550	0	0
Allowance for class teachers	1,440	3,600	2,160	150

Source: Internal report from Education Bureau of County M, 2010

Table 4: Components of individuals' fixed pay in the compulsory education system before and after the PRP reform in County M.

Components of individuals' fixed pay	Before PRP reform	After PRP reform
Basic pay	<ul style="list-style-type: none"> • Position pay • Benchmark pay • 10 per cent of basic pay 	<ul style="list-style-type: none"> • Position pay • Benchmark pay • 10 per cent of basic pay • Adjustment for teachers in rural areas
Seniority pay for teachers	<ul style="list-style-type: none"> • Allowance based on teaching experience and ranking of teaching certificate 	<ul style="list-style-type: none"> • Allowance based on teaching experience and ranking of teaching certificate
Allowances	<ul style="list-style-type: none"> • Province-standard allowance • Welfare allowance • Price-index allowance • Meal-delay allowance • Cost of living allowance • Head teacher allowance • Rural teacher allowance • Position allowance • Appraisal allowance • Attendance allowance 	<ul style="list-style-type: none"> • Position allowance • Cost of living allowance • Seniority allowance • Class teacher allowance • Rural teacher allowance

Source: Internal report from Education Bureau of County M, 2010

Table 5: Changes in average pay in the six case schools in the compulsory education system in County M

	School A	School B	School C	School D	School E	School F
Category	Primary	Primary	Primary	Junior high	Junior high	Junior high
Location	Urban	Urban	Rural	Urban	Rural	Rural
Popularity of the school in the local area	Most popular	Very popular	Less popular with no charging of a “sponsor fee”	Most popular	Popular	Less popular with no charging of a “sponsor fee”
Change in average pay	Small decrease	Small increase	Significant increase	Significant decrease	Small increase	Significant increase

Table 6: The cross-school analysis (continued)

	School A	School B	School C	School D	School E	School F
Has it helped to set goals for individuals	No.	No.	No.	No.	No.	Yes.
Has it reduced unwanted behaviour?	N/A	No.	Yes.	No.	No.	No.
Acceptance of the idea of linking pay to performance for schoolteachers	Yes	Yes	Yes	Yes	Yes	Yes
Fairness of the new PRP system	Hard to say.	No.	Hard to say.	No.	No.	Hard to say.
Jealousy caused by the new PRP system	Yes.	Yes.	Yes.	Yes.	Yes.	Not much impact.
Preference between equity and equality during the reform	Equality	Equality	Equality.	Both but had to sacrifice equity for equality.	Equity, but had to go for equality during the reform.	Both, but had to sacrifice equity for equality.
General comment about the PRP reform	More disadvantages than benefits.	More disadvantages than benefits.	Good, but has also brought more conflict.	More disadvantages than benefits.	Good policy in the long run, but has brought more conflict so far.	More advantages than disadvantages overall.

The overall results of the PRP reform

- Standardization of “basic performance pay”.
- Significant difference in change of payment among schools.
- Complicated distribution and decision-making of distribution of “encouraging performance pay” across schools (urban vs. rural).
- Performance appraisal—subjective criteria dominated; primary vs. junior high schools.
- ‘Sponsor fees’ system continued, cut off of some unnecessary charging (e.g. reduced price of food in student canteen).
- Mixed impact on class teachers’ motivation.

Conclusion

- General acceptance of the idea of linking pay to performance, while the conditions for an effective PRP system (e.g, expectancy theory) were not fully met during the reform process.
- Challenge of the performance measurement, with decreased intrinsic motivation and increased risk of moral hazard.
- Egalitarian distribution after the pay system reform.
- Negative impact on the workplace relationship (e.g., increased conflict between class teachers and middle management).
- Help to retain teachers in rural areas—balance the teaching resource in the longer run.

The initial system of implement PRP was almost bound to be flawed due to the multiple aims of the reform→ The government shall be be better prepared when promoting the PRP system to the public sector national wide.