Teacher Compensation and Decentralization in India

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The system of teacher compensation, combining high pay and zero accountability, is at the heart of problems in India’s public education

Publicly produced elementary education in India faces enormous problems. Although enrollments have increased, a recent survey of rural areas in all districts found shockingly low levels of learning achievement, confirming the accumulating piece-meal evidence. There are many other indicators of distress: high levels of dissatisfaction with teachers among parents and students, a massive and ongoing shift into private schooling, and the unhappiness of the public sector teachers themselves. In a new paper, Pritchett and Murgai argue that the system of teacher compensation in the public sector is at the heart of many of these problems.

A system of compensation for any performance-oriented organization should attract, retain, and motivate workers who, on a day-to-day basis, pursue the goals of the organization. All four elements of a system of compensation—durability of the employment relationship, structure of pay across states of the world, assignment of workers to tasks, and cash relative to benefits—should work together toward this goal.

While there are many variations across states in India, it is not unfair to describe the system of teacher compensation as combining high pay and zero accountability. The paper documents four facts about the system of teacher compensation:

• There is little or no ability to separate teachers from service—for any cause.
• The average pay in public sector teaching is very high relative to the pay in alternative employment (both private teaching and other private sector jobs).
• The degree of overpayment is higher for public sector teachers at the early stages of a career.
• The pay of public sector teachers has very little variance even potentially related to performance—much less so than the pay of either private sector teachers or other private sector salaries.

Each of these elements of the system of compensation reinforces the lack of accountability. There is nothing in the system to attract people well matched to teaching, to retain the best and most committed teachers, or to motivate good teachers (or, for that matter, to prevent good teachers from becoming disillusioned, cynical, and embittered and yet stay until they reach the age of 60). Moreover, the institutional context of basic schooling—all the other relationships of accountability—is also weak.

This system of compensation plays a large part in producing today’s “perfect storm” in public schooling: the learning achievement of students is low, the absenteeism of teachers is high, the treatment of students by teachers is often abysmal, recourse to private instruction is rampant, parents and students are dissatisfied with government schools, and people are voting with their feet and their pocketbooks for the private sector.

Perhaps worst of all, the potentially good teachers in the public system are disenchanted and overburdened and feel disrespected by parents and management. Any reform of teacher compensation needs to be pro-teacher because the present system is dramatically anti-teacher.

Most observers agree that there is no possibility of significant reform of teacher compensation in the existing system. But the devolution of education to the local governing bodies known as Panchayati Raj institutions (PRIs) provides an opportunity to sail out of this perfect storm—to completely restructure the system of compensation to be consistent with an accountable, performance-oriented public sector. Decentralization to PRIs is certainly no panacea—but it may well be the last best hope.

But simply shifting the existing system—with its lack of performance orientation, lack of external accountability, and strictures on compensation—to the PRIs is unlikely to lead to improvements. That said, decentralization to PRIs, if done well, has the potential to break the political impetus behind business as usual by combining a reallocation of functions across tiers of government (states and PRIs) with the freedom for PRIs to develop systems of compensation aligned with the realities of public employment and the particularities of the practice of teaching.

With the development of a new cadre of teachers under district control, newly hired teachers can be launched into a new system and sail out of today’s perfect storm—and publicly produced schooling will be able to compete with private alternatives.


FOCUS
Climate Change and Agriculture in Africa

(continued from page 2)

an important response. There is also evidence that adaptation measures are linked to baseline climate and that adaptation occurs mainly on sites that are already marginal (hot and dry).

The propensity of farmers to adapt differs across locations, and understanding the underlying factors would require further analysis. Yet only those who perceive climate change undertake adaptation—and the perception of climate change appears to hinge on farmers’ experience and the availability of affordable technologies, management practices, and extension advice related to climate change. While the policy options for promoting greater awareness of climate change may be limited, the perception of climate change is already widespread.