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Negotiating Education Reform: Teacher Evaluations and Incentives in Chile (1990-2010)¹

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Abstract. Reforms designed to improve the quality of teaching by reforming personnel practices, such as pay for performance arrangements, usually run into opposition from well organized teacher unions that can either block reform in the short run or undermine it over the longer term. The experience of a series of reforms that introduced collective and individual pay incentives for teachers in Chile from 1990 to 2010 provide a rare example of ongoing negotiation with the teacher union that resulted in an institutionalized structure of incentive pay for teachers as well as widespread attitudes of sustained support among teachers for performance pay. Chile offers an important example of how sustained change in incentive pay can be achieved through ongoing negotiation.

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I. Introduction: Negotiating the Contentious Politics of Incentive Pay in Education

Despite high political costs, reformers continue to push incentive pay, and various schemes exist across a range of local and state governments in the United States as well as other countries of Europe, Asia, and Latin America (OECD 2009b). For one, many think something is broken in existing pay structures. In general, and Latin America is not an exception, teachers are paid the same regardless of their efforts and talents. Salaries do not distinguish among those who perform well or poorly. Pay varies mostly with seniority, so incentives are aligned to favor loyalty and long service rather than performance (Liang 1999; Lavy 2007, 88).

Moreover, as middle income countries solve the quantity or access problems (getting all children in school), reform efforts turn to quality (Stein et al. 2005). These efforts may target things like better curriculum or longer school days, but they almost always come back to the quality of teaching in the classroom. In this context, performance incentives raise the hope of motivating current teachers and attracting better recruits, at the same time performance evaluations can help weed out the least capable. Although academic research has yet to provide definitive answers on whether and how incentive pay works to improve educational outcomes (see Lavy 2007 and Glewwe et al. 2008), partial findings – including in Chile -- on positive effects continue to animate reform efforts.² An international review by the OECD concluded that “the likelihood of further development of performance-based policies is high” (2009b: 210).

² One recent example comes from correlations between higher average Pisa (Program for International Student Assessment) scores and national systems of incentive pay (Woessman 2011). Other scattered experimental studies also show some positive effects (e.g., Glewwe et al., 2010 on Kenya; Santiago et al., 2010 on Mexico). On Chile, and for a review of recent empirical findings, see Rau and Conterras (2012).

Why then are the politics of salary incentives so difficult? The short answer is because they clash with teacher interests and values on mission and autonomy, undermine union capacity, and require long term institutional and political support. Less talented or motivated teachers of course fear they will lose income with new performance incentives. Other teachers oppose salary incentives on principle claiming that teaching is a vocation and rewarded more by the intrinsic value of imparting education, so that changing pay schemes only introduces distorting incentives (Lavy 2007, 93).

Salary issues are always contentious, but pay-for-performance schemes add additional controversy by introducing new, external assessment and accountability. Measuring performance in teaching is inherently imperfect, incomplete, and complex, and therefore subject to conflicting viewpoints on methods. Moreover, external assessment and the information it generates threaten changes in relations between parents and teachers, teachers and administrators, teachers and teachers, and teachers and students. Beyond their imperfections, the measures themselves represent an intrusion into the classroom from outside the district that challenges traditional notions of teacher and school autonomy. Most studies of pay-for-performance schemes focus primarily on the incentive side, but the issues of assessment and accountability, and diminution of teacher autonomy, may well be as important in shifting the career perspectives of teachers (OECD 2009b).

Negotiated reform *a la chilena* is rare in education in Latin America. Teacher unions are almost everywhere powerful, so outcomes of reform efforts are generally diluted, blocked, or imposed unilaterally; “teacher unions worldwide strongly oppose performance based pay” (Lavy 2007, 93). Opposition to marketizing reform, both

principled and self interested, is common across many sectors and policy areas. In education, however, this opposition is likely to be especially forceful because teachers are better organized than other groups.³ Throughout most of Latin America, and elsewhere, teachers belong to large, dense, well financed, and militant labor unions. Moreover, because of their large numbers of members, distributed throughout all electoral districts, teacher unions are well connected politically and often closely tied to powerful parties. For union leaders, variable salary incentives are especially threatening because they pose serious risks to their ability to mobilize members: it is much easier to call a strike for a uniform percentage increase than it is if members are all getting different raises and when better paid teachers may defect. More abstractly, pay-for-performance undermines collective action by reducing the potential benefits the union can deliver and by making members more heterogeneous (see OECD 2009b, 202-8, Crouch 2005, 397).

Given usual union resistance, the remarkable outcome in Chile is that by the late 2000s both teachers and their union, the *Colegio de Profesores* (hereafter the Colegio), accepted performance incentives. When students and the Colegio took to the streets in the many large demonstrations over the course 2011, they called into question nearly all aspects of Chile's educational system, but not salary incentives.⁴ The adoption and acceptance of salary incentives depended primarily on a series of negotiated reforms over nearly two decades, first for collective incentives in the 1990s and then in the 2000s for

³ For a recent, controversial, and withering attack on teacher unions in the United States and their power to block reform, see Moe (2011).

⁴ For example, the Colegio published a pamphlet in 2011 that highlighted the many differences between the government's proposals and the union position, but proposed in passing "to maintain the Professional Teacher Evaluation, though corrected, so that it would become the principal element in mobility within the Career" (Colegio de Profesores 2011: 3).

additional individual incentives. At each stage the Colegio bargained over government proposals and agreed to final compromises that were subsequently enacted into law by Congress. In some negotiations the Colegio got more of what it wanted, in others the government got more, but neither side could unilaterally impose its position. The amounts of incentive pay by the late 2000s ranged roughly 15 to 25 percent of base pay, and the multiple incentives and associated evaluations shifted overall career expectations. Teachers entering the profession in the late 2000s had quite different career expectations from those who started earlier. The later entrants knew that they would be evaluated on a regular basis and that the evaluations could increase their earnings, or, in the case of the worst performers in public schools, lead to sanctions and dismissal.

Our argument in brief is that persistent government initiatives to reform pay incentives for teachers over the two decades of center-left government by the Concertación (*Concertación de Partidos por la Democracia*) succeeded, through successive negotiated agreements with the Colegio, in consolidating pay-for-performance incentives and extensive collective and individual evaluations.⁵ Consolidation means not that the reforms are set in stone, but rather that they are broadly accepted by the main stakeholders, especially teachers and their union, and politically costly to overturn. The success of these negotiations in turn depended on: 1) the growing resources the government devoted to education, including steadily increasing teacher salaries; 2) the

⁵ Our analysis assumes a crucial precondition of a coherent, capable government with some capacity to withstand political lobbying by organized groups. This is the conventional wisdom on policy making in Chile (see for example Stein et al. 2005), and is therefore not a major part of our empirical analysis. However, government capacity is an important element to consider in broader comparative analysis to which we return in the conclusion. Murillo (2002) lists nine conditions that facilitate negotiation on education policy, and five factors that complicate negotiations. Some of these factors such as legitimacy of the protagonists, effective implementation of past agreements, or cohesion within the union, were taken for granted among the participants in Chile, but are also important for wider comparisons.

design of incentive schemes to introduce first collective and then individual incentives; and 3) the moderation and incrementalism in reform proposals and bargaining induced in part by the expectation of repeated rounds of negotiations and the shadow of further bargaining and compromise in Congress.

Incentive pay is a case of a wider set of policies designed to introduce market mechanics and competition into previously protected or administered domains. In the broader literature on other forms of market oriented reform, negotiation is not a common path. One set of arguments emphasizes technocratic imposition of reforms, what one author famously called reform by a “handful of heroes” (Harberger 1993), though this view had wider resonance (see Haggard and Kaufman 1995). Advocates of this position often worry that negotiation will allow rent seekers to dilute or block reforms, and highlight instead the importance of executive power and technical capacity on the part of reform teams. In the context of incentive reforms in Chile, it might appear that a strong technocratic government just imposed incentives on a weak union (OECD 2009b, 207; see Silva 2008 on technocracy in Chile). However, the Colegio was not weak in the 1990s. The Colegio had earned a lot of popularity and legitimacy in its participation in the struggle to end the military dictatorship, and the subsequent democratic government feared its ability to call disruptive strikes.⁶ So, the union managed in the first round of negotiation to get its preferred labor regime despite opposition within the government, including by some of the more technocratic factions.⁷

⁶ Interview with Pedro Montt, see Appendix for background on interviewees. Also see Boeninger (2007, 202). Boeninger was the chief of staff to president Aylwin.

⁷ Interview with Osvaldo Verdugo. In her book on unions and market reform, Murillo (2001) argues that cooperation (“effective restraint”) is more likely when the reforming government is a labor-based party and when there is less leadership competition in the union. Neither of these conditions holds fully in the case of education reform in Chile. The Colegio was close to the Concertación during the first Christian

Another technocratic view emphasizes the importance of reform design in overcoming potential resistance.⁸ The design of incentive reforms in Chile was certainly careful and well done, however, the design did not take place in a technical vacuum, and frequent negotiations themselves gave policy makers clear ideas about what sorts of policies would be acceptable to the unions, so they may have adjusted policies to anticipate reactions by the Colegio. Moreover, some government proposals underwent significant revision through the process of negotiation.

A different perspective on reform politics emphasizes the role of compensation and side payments in the process of ‘buying’ the cooperation of potential losers, especially those with the greatest capacity for political mobilization and costly opposition (Schamis 1999 and Etchemendy 2011). On the surface, the fact that the government consistently granted large increases in real salaries for teachers would suggest a possible exchange of rents for reforms; however, the empirical record belies this interpretation on several counts. For one, the motivations of government reformers were longer term and less concerned with buying acquiescence; Ministry officials knew they had to increase salaries to be able to attract more and better teachers to the profession regardless of incentives schemes. Moreover, the government increased salaries steadily even in periods when it was not trying to negotiate performance incentives. The salary increases

Democratic government 1990-94 when the president of the Colegio was from the same party. Thereafter, Colegio presidents were from the Communist Party which was not part of the Concertación alliance. Leadership competition within the Colegio was intense and incumbents twice lost elections to challengers over the period 1990 to 2010. The competition did lead to periods of increased militancy, especially in the strikes in the late 1990s, but negotiations over incentive pay and other reforms continued throughout. Intriguingly, and in contrast to many unions, defeated presidents continued on the board of directors where decision making was more collegial.

⁸ Crouch (2005) also emphasizes policy design as well as the high quality of leadership in both the Ministry of Education and the Colegio in facilitating effective reform. Observers of reform success elsewhere often credit long tenure of ministers, but this was not the case in education in Chile where there were 11 ministers over the 20 years of Concertación government for an average tenure of 22 months (lower even than the 31 month average for all ministers for the period 1990-2003, Martínez-Gallardo 2010, 140).

certainly contributed to better relations between the government and the Colegio, but, as we discuss in greater detail, the salary question was complex and not merely a short term tactic to buy compliance.

Our approach builds on a negotiated approach to reform that is underdeveloped in the literature on market reform (Fraile 2010) (though much work on trade agreements emphasizes the benefits of negotiation with domestic business (see Schneider 2004)). Negotiation is of course less useful in policies that can be implemented overnight like trade liberalization or that are difficult to reverse once implemented (privatization). However, reforms that require long term behavioral change on the part of many dispersed agents, as in most public sector personnel policies, can benefit from negotiation to the extent that it gives the agents, and objects of reform, some ‘buy in’ or at least reason not to distrust the reform. Moreover, union leaders who negotiate and sign agreements have incentives to convince skeptics to build wider support among the membership.

Negotiation adds an element of resoluteness that is also crucial in making reforms stick. Haggard and McCubbins (2002) draw a theoretical distinction between resolute and decisive policy making. In principle, reforms that have to go through a lot of veto points or through governing coalitions with multiple, diverse parties should be more difficult to enact, and will suffer amendment or dilution in the policy process, but become consequently more difficult to change later on (are resolute) because changes would have to go through the same set of veto points and coalition partners. In contrast, policies enacted overnight by authoritarian or majoritarian governments (decisive) may be pure and sweeping reforms, but they can easily be undone by the next majoritarian government or authoritarian leader.

Resoluteness has special value in education policy where stakeholders like teachers are inured to frequent policy changes and reversals as education ministers turnover frequently, and where lasting reform may require decades to take full effect. Teachers have little reason to invest in improving performance if they doubt performance incentives will last. Moreover, some positive impacts of incentive schemes on educational outcomes can only emerge over the longer term as they shift the profile and expectations of teachers entering the profession (OECD 2009b). Implementing effective incentive systems also requires long term horizons in order to redress initial, inevitable problems in design and administration; “setting up an effective performance-related pay system is not a one-time task, but an ongoing effort” (Lavy 2007: 103).

Sequencing was also important to the unfolding of the Chilean reform process (on sequencing generally see Falleti 2010). Two main sequences facilitated a negotiated path to performance incentives. In the first instance, the fact that the government acceded to union demands for a separate, public labor code, sent a strong signal to the Colegio that the Concertacion coalition could be trusted. Moreover, because the teachers were granted public sector status, the code automatically included the same provision applied to all government employees that they be evaluated periodically. This evaluation provision then opened the door later on for individual assessments and incentives. The second sequence that smoothed the reform process came later. Teachers and unions are generally less opposed to collective versus individual incentives (OECD 2009b 72, 203), and the government started with collective incentives in the 1990s before introducing individual incentives in the 2000s. By the 2000s, the collective incentives were institutionalized and teachers were accustomed to regular evaluations and performance

bonuses, so that the introduction of additional evaluations and incentives was less controversial.

Given that teacher unions are widespread and likely to be predisposed against incentive pay, much can be learned from the rare cases of reform implementation negotiated with unions. Chile's path of reform was subject to many idiosyncrasies, so its experience does not translate directly into a blueprint to be copied. However, it is one of the few success stories of negotiated reform, and a fruitful way to generate more general hypotheses is to work back inductively from success cases (in comparison to the many failed reforms). The primary empirical substantiation for our arguments comes from tracing the process of reform, where the sequence of reform politics, the behavior of strategic players, and interviews with core protagonists all point to the significance of negotiations.

The empirical analysis is organized chronologically and concentrates on the salary and labor reforms in the first three governments of the Concertación coalition. Section II examines the enactment in the government of Patricio Aylwin (1990-94) of the Teacher Statute which made teachers state employees and instituted centralized wage negotiations between the government and the Colegio. The government of Eduardo Frei (1994-2000), section III, enacted, among other major reforms, the SNED (National System of School Performance Evaluation, *Sistema Nacional de Evaluación del Desempeño de los Colegios Subvencionados*,) which granted collective incentives for teachers in well performing schools. Section IV analyzes the introduction of additional individual incentives in the government of Ricardo Lagos (2000-06). The conclusion considers

briefly a comparison with Mexico's incentive reform that highlights the additional crucial preconditions of government capacity and persistence.

II. Transition Politics in the Aylwin Government (1990-94): The Teacher Statute

The return to democracy in 1990 inaugurated a period of anxious transition politics characterized by the release of pent up demands by social and political groups to redress the perceived injustices of the Pinochet dictatorship (1973-90), as well as a commitment within the government to avoid radical reforms that could antagonize the supporters of Pinochet and threaten the new democracy. Within this fraught context, the Aylwin government and its prominent Minister of Education (and later president) Ricardo Lagos were committed to increasing funding for education and salaries for teachers (who had also been in the forefront of the political struggle to oust the dictatorship and elect the opposition Concertación coalition).⁹ Beyond increasing salaries, the major educational reform of the Aylwin government was the Teacher Statute which gave teachers civil service status and a range of associated protections and benefits. The extensive negotiations over the Teacher Statute demonstrated the power of the three main protagonists who were going to dominate the next two decades of educational reform: Concertación reformers, Colegio de Profesores, and right-wing opposition legislators. The Teacher Statute also set a precedent for compromise in policy making where each of the three protagonists got some of their preferences, but no one got all of them.

⁹ After 1990 the Colegio functioned as a traditional trade union. However, the Pinochet government, as part of its political re-engineering, had set up the Colegio as a professional association in the hopes of precluding the formation of a union. By the 1980s, though leaders allied with parties opposed to Pinochet had been elected to run the Colegio (see Nuñez 2003).

Historically, teachers in Chile had benefitted from a special labor code that the military regime abolished. In a context of sweeping market reforms across most policy areas, in 1981 the military government implemented a universal voucher system, transferred public school management from the central to municipal governments, and stripped teachers of their status as civil servants and lumped them under the same labor code as private-sector employees, though with a ban on collective bargaining. Teachers were never reconciled with these reforms, not only due to the downgrade in their labor regime, but also because of the pervasive conviction that education was a public service and teachers therefore public servants. Indeed, in 1981 more than 80 percent of teachers were public servants (Nuñez, 2003).

With the return to democracy in 1990, the Colegio pressed the new government hard to revise their labor code, and in the end the government enacted the new Teacher Statute. This reform process was quite contentious and fought out at the top levels of government between the technical teams and the political leadership and among coalition members of the Concertación itself. In fact, it is considered as “the most controversial of the policy measures of the entire period. It divided the presidential cabinet at the time and was approved within the Executive only thanks to the support of the President of the Republic” (Cox, 2003, 52). The Colegio also demanded the elimination of the voucher system established under Pinochet and re-centralization of public education, but the Aylwin government refused and resolved to maintain both.

Politically, the Statute was also intended to foster teacher support for the overall educational policies implemented by the new government and to reduce the possibility of major disruptive conflicts in the education sector (interview with Pedro Montt). The

Statute also established parameters for negotiating and gradually increasing teacher salaries, which had fallen drastically in real terms during the military government. After, lengthy discussions over the Statute, the Colegio and the Ministry of Education had three regular rounds of negotiations over salaries during the Aylwin government. Although the government was favorably predisposed to significant real salary increases, the negotiations were nonetheless intense, and the Colegio demonstrated its capacity to mobilize teachers with three brief strikes (one day in 1991 and 1993 and four days in 1994). Thus a crucial consequence of the Teacher Statute was to re-centralize decisions about contracts and salaries of teachers working in public municipal schools.¹⁰

For the politics of reform and the coverage of bargaining and policy, it is important to bear in mind the distribution of enrollments and teachers across different kinds of schools. In 1990, 58 percent of students were in public municipal schools, 34 percent in private subsidized schools (publicly financed but privately owned and managed), and 8 percent in private schools without public funding (Cox 2004, 81). Over the period of Concertación governments enrollments slowly but steadily migrated from municipal to private subsidized schools. By 2009, only 42 percent of enrolments were in municipal schools, 51 percent in private subsidized schools, and 7 percent in purely private schools (Mineduc 2010a). Financing for municipal and private subsidized schools came through government payments per student (vouchers). Most public policies in education covered all schools that received public funding, though some applied only to teachers in municipal schools.

¹⁰ The centralized salary negotiation is not a legal requirement. In practice, what centralizes salary negotiations is the definition by Congress of a Basic Minimum National Remuneration (*Remuneración Básica Mínima Nacional, RBMN*). As a consequence, the negotiation of salaries has had the characteristics of a bilateral monopoly between the Colegio and the Ministry of Education (González, 2000).

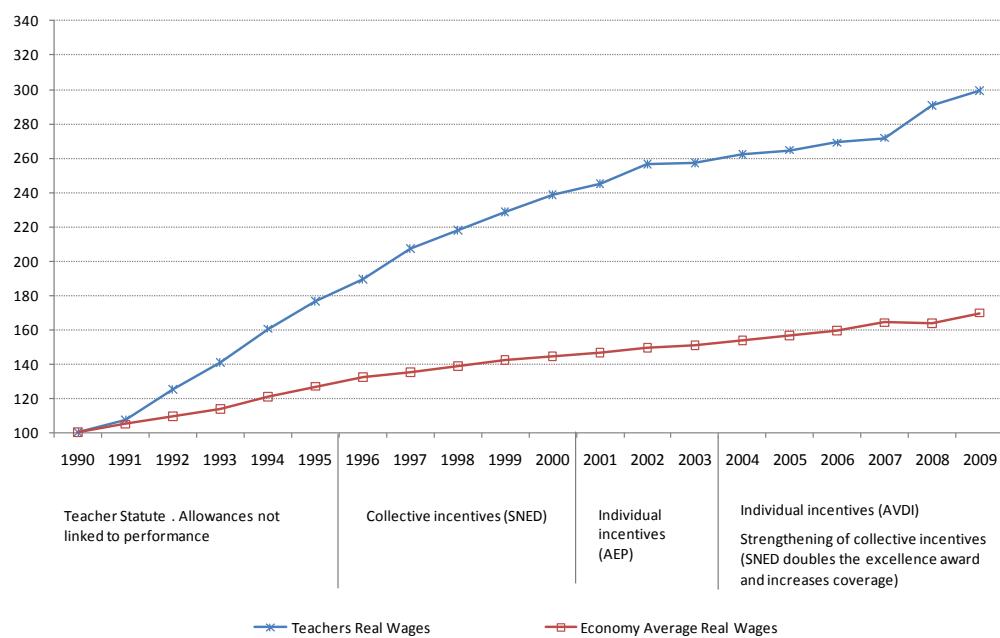
The Colegio's membership came almost exclusively from teachers in municipal schools, which were the only schools affected by Colegio strikes (for an extended discussion of the complex governance of Chilean education, see Mizala and Schneider forthcoming). According to the Colegio's website, membership in 2012 was over 100,000 which is well over half of Chile's 180,000 teachers (<http://www.colegiodeprofesores.cl/?q=node/2>). However, many of these members are retired, so it is difficult to calculate real coverage levels and union density.

Congress further modified the proposed Statute negotiated between the Ministry and the Colegio. These modifications were approved by both the Concertación and the opposition parties in Congress, though the motivations of each side differed. Concertación legislators sought to compensate teachers for the setbacks during the military regime. The right wing opposition in contrast wanted to circumscribe the ability of the Ministry of Education to interfere in municipal schools in order to protect those school's principals hired during the military regime. For example, the opposition blocked repeated government initiatives to weaken the tenure of school directors appointed under military rule and to subject them to open competitive recruitment procedures (*concursos*). In sum, it was not easy to get the Teacher Statute through the legislature and the compromises protecting school directors and other personnel issues made the new labor legislation for teachers more rigid.

The Teacher Statute, as well as significant salary increases, established several important precedents that would affect reform politics in subsequent Concertación governments. First, the Concertación government took seriously demands made by the Colegio de Profesores and stood by its commitment to raise teacher salaries and overall

funding for education (see Figure 1). However, teachers had suffered severe salary losses in the 1980s of nearly one third, so salary increases through the mid-1990s mostly returned salaries to their levels of the early 1980s. Although teacher salaries tripled under Concertación governments, salaries in Chile, as a proportion of GDP per capita, only reached the OECD average in 2009 (OECD 2001).

**Figure 1. Teacher Salaries Compared to Average Salaries, 1990-2009
(1990= 100)**



Source: Ministry of Education, National Institute of Statistics, Central Bank of Chile
Teachers' remuneration include: RBMN plus allowances (seniority: 20 years, responsibility, training, working in difficult conditions), professional improvement unit, taxable bonus, proportional bonus, SNED, additional remuneration.

Yet, second, the Concertación government was not willing to accede to all the demands of the Colegio and had to make important concessions to the rightwing opposition in Congress to get major reform legislation approved. Third, the Teacher Statute centralized salary negotiations with the Ministry of Education and thereby created, as an unintended consequence, a regular forum for negotiating not only salaries but also

further reforms to teacher incentives and careers. The Teacher Statute also set an important precedent for bargaining and compromise that would continue in later rounds of negotiations. Lastly, the Statute included a provision, applicable to all public sector workers, for performance evaluations that would later pave the way in the 2000s for individual evaluations and incentives.

III. Collective Incentives in the Frei Government (1994-2000)

The Frei government made education reform one of its top priorities. To guide these reform efforts, the government created the Commission on the Modernization of Chilean Education, which became known as the Brunner Commission, named after its coordinator José Joaquín Brunner. When the commission issued its report, all the major stakeholders in education endorsed it and signaled a strong consensus on the need for reform. Among other priorities, the Commission's general recommendation for introducing new performance incentives paved the way for the specific collective incentive, the SNED, adopted in 1995, after long negotiations with the Colegio.

The SNED was designed to assess schools' academic performance and give teachers working in schools with good learning results a monetary bonus. This collective incentive constituted a significant departure from previous practice and went against the traditional preference of teachers for equal raises for all. Indeed, the Colegio initially opposed SNED. However, it could not block it, and in the end accepted SNED, especially once other salary demands were met (interview with Jorge Pavez, president of the Colegio during the period 1996-2007). The Ministry of Education had strong, unified support from the Executive, and all of the political parties had endorsed the Brunner

Report with its recommendation for incentive pay. This broad, and unusual, political consensus made it difficult for teachers to find an opening for effective opposition to the proposal for introducing some performance incentives.

The Colegio had a number of reasons for not trying to mount more vigorous opposition to the SNED. First, the Colegio, in order not isolate themselves from other political actors and stakeholders, had already endorsed the Brunner report overall, despite its recommendation for incentive pay. Second, the government had put in place various initiatives that reassured teachers: significant salary increases, programs to improve working conditions, job creation due to the expansion of enrollment in secondary schools, and a series of other measures to strengthen the teaching profession.¹¹ All these policies generated strong agreement between teachers and the government, and the Colegio did not want to jeopardize this overall harmony. Third, the SNED provided collective benefits to all the teachers of a well performing school, and the Colegio preferred collective over individual incentives (interview with Osvaldo Verdugo). Fourth, the Minister of Education, Sergio Molina and the president of the Colegio, Osvaldo Verdugo, were both in the Christian Democratic Party, and had worked closely together over decades (dating back to when Molina was Minister of Finance in the 1960s) (interview with Pablo González).

Lastly, the SNED evaluations were carefully designed. The evaluation looked beyond simple test scores (SIMCE scores were 65 percent of the total evaluation) and comprised a more complex assessment that considered as well equality of opportunities (repetition and dropout rates, absence of discriminatory practices) (22 percent), new

¹¹ In his comparative review, Lavy notes that “performance-based rewards are more popular when they supplement, rather than replace, other forms of salary” (2007, 95).

activities and initiatives (5 percent), integration of teachers and parents (6 percent), and improving working conditions (2 percent). The assessments also took care to compare apples with apples; schools were assessed relative to comparable schools in terms of geographic location (urban versus rural schools), educational level (primary versus secondary schools), and the socioeconomic background of the students (Mizala and Romaguera, 2004).

The schools that perform "with excellence" receive a bonus that is mostly distributed to teachers. SNED bonuses are temporary; every two years the government re-evaluates all the schools that receive public financing (municipal and private subsidized schools). The government put SNED into practice in 1996 and applied it every two years since. In the first five rounds (1996-2004), it benefited about 20 percent of schools and 28 percent of teachers (34,380 teachers). The average annual bonus for these teachers corresponded approximately to an additional half of a monthly salary per year. The stability of SNED stands out in comparison to other countries in Latin America (such as Bolivia, Mexico, and El Salvador) where incentive systems in education tend to be short lived and turbulent, often due to union opposition. Overall, the fact that SNED emerged in the context of salary negotiations with the Colegio, that it provided collective incentives, and that it has been converted into law have given SNED great stability (resoluteness). By the 2000s, as discussed further later, SNED was accepted by the majority of the teachers and strongly valued by school principals as a useful tool for improving education in their schools.

Despite differences of opinion on many issues, relations in the early 1990s between the Colegio and the government were mostly harmonious, even through

negotiations over SNED. However, politics within the Colegio were more contentious. In October 1995, Osvaldo Verdugo, the long standing president of the Colegio (1986-95) and a member of the Christian Democratic Party belonging to the Concertación coalition, lost his re-election bid to a leftist challenger, Jorge Pavez (from the Communist Party, which was not a member of the Concertación alliance).¹² The discourse of the challengers was that the goal of Colegio should be to stop the implementation of neoliberal policies in the educational sector. They charged that Verdugo had not fought hard enough to restore a greater role for the State in education and the recuperation of previous teacher rights. Pavez and the new leftist leadership adopted a more combative stance vis a vis the government and led the longest strikes of the Concertación period: two weeks in 1996 and four weeks in 1998 (Cox 2003, 53). Revealingly for our story, the strikes and combativeness were largely over base pay rather than against incentive programs like SNED (interview with Jorge Pavez).

IV. The Introduction of Individual Incentives in the 2000s

The Lagos government (2000-06) continued the Concertación push to increase spending on education, to enhance the teaching career, and to strengthen incentives for high performing teachers. As a former Minister of Education, President Lagos knew the area and the stakeholders very well, and early in his government he met directly with

¹² Elections in the Colegio every three years are more contested than in most unions, and leaders twice lost re-election bids in the two decades from 1990 to 2010. This greater electoral openness is due in part to the colegial structure of the Colegio where losing candidates for the presidency retain seats on the board. The other peculiarity of the Colegio, one that shifts the median voter left, is that roughly a fifth of the voting members are retired (interview with Rodolfo Bonifaz). Murillo's (2001) argument would expect a more combative Colegio under Pavez, which it was initially. However, the Colegio continued to negotiate and did not block further extensions of performance pay.

groups like the Colegio, and six months into the new government the Colegio and the Ministry of Education signed a wide ranging protocol covering several reform priorities, including individual incentives. Through close subsequent negotiations between the Ministry of Education and the Colegio, the government designed major reforms to teacher incentives by adding in individual assessments and rewards. Pavez and the Colegio dropped the confrontational stance they had in the last years of the Frei government and were quite open to the reform ideas, including incentives, of the Lagos government (interview with Pedro Montt). In 2002 the government established voluntary assessment and rewards for all teachers, and then in 2003 the government introduced compulsory assessment for teachers in public municipal schools.

During the Lagos administration, the negotiation with the Colegio became more professionalized and routine since the Ministry of Education set up a group of experts in charge of negotiations and tracking agreements. This group of professionals continued working through the subsequent Bachelet government. Also, the Colegio started advocating for a broader policy role that would include participating in policy discussions on pedagogy and curriculum, not just labor relations (Assael and Inzunza, 2008). In 2000 these negotiations led to a new law that raised the value of the educational subsidy (voucher) in order to finance teacher training. Later, in 2001, an agreement reached in the negotiation with the Colegio led to another new law that set salary adjustments for the period 2001-2003. So when the Ministry proposed individual incentives, the Colegio was more amenable because they already had the increases they wanted in base pay.¹³

¹³ Ministry negotiators would often start discussions with the Colegio by saying that the government was willing to put more money into teacher salaries, but it was not all going into base salaries. So, if the Colegio negotiators wanted access to all the funds available, some of the pay increases would have to come

Beginning in 2002, the Pedagogical Excellence Award (*Asignación de Excelencia Pedagógica*, AEP) allowed teachers on a voluntary basis to have their classroom performance and disciplinary knowledge assessed. Teachers who pass the evaluation receive a salary bonus for the following ten years. However, the assessments were difficult and time consuming; only a few teachers applied initially and fewer passed (only about a third of applicants from 2004 to 2009). Through 2009 a total of 3,477 teachers received the AEP bonus, about two percent of the 160,000 teachers eligible to apply (though closer to six percent of teachers have applied).

As before, Congress turned the agreement negotiated in 2003 by the Ministry of Education and the Colegio (after ratification by the board and 82 percent of the affiliated teachers) into a new law in 2004. The same law modified the SNED to increase the total subsidy, to raise incrementally the proportion of schools awarded bonuses to 35 percent of all schools, and to establish a graduated scale among winning schools. The size of SNED awards nearly doubled between 2004 and 2006, and as a result, teachers in a SNED-winning school received a bonus equivalent to 70 percent of the monthly salary (resulting in a 5 to 11 percent of increase in annual salary).

Beyond increasing salaries and SNED bonuses, the 2004 law added a new system of individual evaluations and incentives alongside the collective ones. The Teacher Statute of 1991 had established an obligatory evaluation system of teachers in municipal schools, but it had not yet been implemented. The Ministry of Education and the Colegio had set up a commission which worked on this issue for years. The main difference was that the Ministry wanted frequent evaluations with quick dismissal of low-scoring

through incentive pay. In other words, refusing incentive pay would have meant leaving money on the table (interview with Rodolfo Bonifaz).

teachers, and the Colegio argued instead that teachers needed time after a bad evaluation to get training and improve their performance (interview with Jorge Pavez). Finally, the Ministry accepted the proposal of the Colegio, and they agreed that each teacher must be evaluated every four years and ranked as outstanding, competent, basic, or unsatisfactory. They also agreed on a follow up evaluation a year later for teachers deemed “unsatisfactory,” and that teachers whose performance is rated unsatisfactory in three consecutive annual evaluations should be fired.

In terms of positive incentives, teachers who receive outstanding or competent ranking in a first round evaluation and then pass a written test on their pedagogic and disciplinary knowledge receive a monetary bonus. The bonus is graduated (according to outstanding and competent rankings) but on average amounts to an 11 percent increase in monthly salaries. Through 2010, around 15,000 teachers received the individual incentive associated with the compulsory performance evaluation (AVDI), i.e., around 19 percent of municipal teachers. Congress quickly passed laws ratifying and institutionalizing these agreements on individual evaluations and incentives. Overall, for the period 2003-2009, most teachers scored as “basic” (around 30 percent) or as “competent” (more than 50 percent), with smaller proportions ranking either “unsatisfactory” (ranging from 3.8 percent in the first round to 1.1 percent in the last) or “outstanding” (around 6 percent except in 2008 when 12 percent obtained this evaluation) (MINEDUC, 2010 b).

Despite the rapid and consensual agreement at a national level early in the Lagos government, the individual incentives met with greater rank and file resistance in implementation and contributed to further turmoil within the Colegio. The obligatory

individual evaluation for municipal teachers (AVDI), in contrast to SNED and the AEP, met stronger though minority resistance from teachers, both collectively and individually. By the end of 2006, over 5,000 teachers had refused to submit to evaluations.

As in the mid 1990s, the relative harmony in negotiations between the government and the Colegio contrasted with continuing conflict within the Colegio. As a result of his role in the negotiation and further support of compulsory evaluations for municipal teachers, incumbent president Jorge Pavez lost the election in 2007 to Jaime Gajardo, a challenger even further to his left. Gajardo was a prominent opponent of the compulsory individual evaluation system negotiated with the government and a staunch supporter of a return to a more statist, centralized educational system. However, the individual incentives (AEP and AVDI) had been passed into law with significant support from other stakeholders, so the new leadership of the Colegio had little opportunity to try to overturn this resolute (in the sense discussed in the introduction) scheme for individual incentives. Moreover, as discussed later, a larger proportion of teachers supported incentives.

Overall, the Lagos government steadily increased spending on education and teacher salaries at the same time it augmented collective performance incentives and added in new individual incentives. And, these increases and changes were subject to close consultation and negotiation with the Colegio. The last Concertación government of Michel Bachelet (2006-10) continued to increase funding and salaries, and maintained and raised performance incentives. However, the concerns of the Bachelet government with educational reform focused largely on other issues (especially differentiated vouchers to favor children from low-income families and a new regulatory framework)

and responding to the revolt of the “penguins,” the strikes and demonstrations by secondary school students demanding higher quality education.

Looking back over the two decades of Concertación government, the labor regime for teachers evolved slowly from a rigid labor market toward more degrees of flexibility. This evolution has been difficult in part because the Colegio embraced the Teacher Statute as a major historic conquest that protects teachers from labor market insecurities and arbitrary shifts in government policy (see Bellei, 2001). Throughout the Concertación period, governments had to negotiate on two fronts: with the Colegio on one hand and with the Congressional opposition parties on the other. Each wanted to retain rigidities, but of different kinds and for different reasons; the Colegio wanted to protect teachers in public schools, and the opposition to protect school’s principals hired before the Concertación took power. However, despite disputes in Congress over some issues, most proposals that have been preceded by an agreement between the Ministry of Education and the Colegio, including those that introduced monetary incentives linked to teachers and school performance, subsequently passed unanimously in Parliament.

In terms of salary structure, the variable fraction that depends on teacher performance, both collective and individual, has increased substantially (Table 1). A first step basically included incentives that were independent of the teaching performance such as years of experience or training. Later, incentives associated with collective performance (SNED) were incorporated. Finally, new laws included incentives associated with individual performance (AEP & AVDI) and strengthened significantly the collective incentives (see the time line in Figure 1 above). Seniority still weighs heavily in teacher pay, yet even for very senior teachers with 30 years of experience,

winning SNED and AVDI bonuses adds 14 percent to monthly salaries. For starting teachers these bonuses add up to nearly a quarter of their monthly salaries. As noted at the outset, incentive pay should have the greatest impact on educational outcomes over the longer run as it affects the recruitment, retention, and long term expectations of teachers entering the career (and encourages underperforming teachers to leave), so the high potential share of incentive pay in starting salaries in Chile should have a greater impact on recruitment and early socialization.¹⁴

¹⁴ Contreras and Rau (2012) already find a positive impact of the longer standing SNED incentives on test scores. Overall, Chile's scores on PISA tests have risen steadily over the 2000s, though many factors likely contributed to this rise.

Table 1: Monthly Salary and Performance Pay for Teachers in 2009

	Percent of teachers receiving allowance	Salary with 2 years experience	Percent of average salary	Salary with 20 years experience	Percent of average salary	Salary with 30 years experience	Percent of average salary
<u>Pay not linked to performance</u>							
Minimum National Remuneration	100	723		723		723	
Seniority	100	49	5	482	35	723	44
Training	100	6	1	60	4	90	5
Other	100	184	19	110	8	110	7
Average salary		962		1,375		1,646	
<u>Average Pay linked to Performance</u>							
SNED	38	111	12	111	8	111	7
AEP	2	86	9	86	6	86	5
AVDI	14	108	11	108	8	108	7
Total maximum salary		1,267		1,680		1,951	

Source: Ministry of Education, Chile.

Notes:

- (1) The salary figures are in 2009 US dollars converted at the exchange rate of 559.6 pesos per dollar.
- (2) Other allowances include: professional improvement, proportional bonus. The Table does not include bonuses associated with working in difficult conditions, teachers' tutoring and administrative or technical-pedagogical responsibilities.
- (3) SNED: collective (school level) incentive system; AEP: incentives associated with voluntary individual performance evaluation; AVDI: incentives associated with mandatory individual performance evaluation of public teachers.

How do teachers feel about the accumulated evaluations and pay incentives? By the late 2000s, teachers remained supportive of performance evaluations and the associated monetary incentive payments according to national surveys done by the *Centro de Investigación y Desarrollo de la Educación* (Center for Educational Research and Development, CIDE). In 2008, 67 percent of all teachers agreed with a system of performance evaluation. Breaking responses down by type of school, the strongest agreement was among private fee-paying schools, followed closely by private subsidized

schools (with about ¾ support in both types of private schools), and finally municipal schools where just over half the teachers supported pay for performance (CIDE 2008, 62). In other surveys, the proportion of teachers who opposed teacher evaluations fell from 44 percent in 2004 to 36 percent in 2006 for teachers in municipal schools and from 27 percent to 11 percent in private subsidized schools (CIDE 2006, 39). The lower support in municipal schools is understandable because the new system of evaluation is obligatory for these teachers and includes the provision that teachers with successive bad evaluations can be dismissed. Under these conditions, the continuing support of a majority of teachers is significant. The surveys do not ask teachers separately about collective, school-based incentives (SNED) and individual incentives (AEP and AVDI), but according to Jorge Pavez (president of the Colegio 1995-2007) support was greater for SNED: ‘it is now part of the culture’ (interview 11 January 2010).

Support for performance incentives is even stronger among school principals. In 2000, 94 percent of principals agreed with the implementation of such a system. Support in recent surveys, after the implementation of individual incentives, remained high and steady: 88 percent in 2004, 84 percent for 2006, and 86 percent for 2008. Moreover, a voluntary survey of principals of private subsidized and municipal schools in Chile (covering 36 percent of schools) found significant support for performance evaluations and performance-related monetary incentive payments (Mizala and Romaguera, 2005). Almost two thirds of principals indicated that it was very useful to their work as principals to have monetary rewards for teachers linked to school performance. The views of principals are more positive the more times the school has won the SNED bonus. Nonetheless, and significantly, even principals of schools that have never won the

SNED show considerable support for performance evaluations and monetary incentives: 79 percent consider this policy useful or very useful to their work as principals.

Two decades of education reform under Chile's new democracy consolidated both the process of reform as well as a system of evaluation and performance pay. On the process, two features became routinized. First, stakeholders expected each new government to embark on important reforms. Regular education reform has become a feature of policy making in many countries, but it is given special impetus in Chile for a number of reasons: it is politically charged as left and right argue over the legacies of the Pinochet dictatorship, and students and teachers sometimes take to the streets. Education is also constantly debated in the press (where some newspapers have special sections devoted to education), and by a large network of sophisticated education researchers in universities and think tanks. The second feature of the reform process that was highly routinized was the expectation that reforms would go through extensive negotiations between the government and the Colegio and subsequently in Congress.

V. Comparisons and Conclusions

In another effort to promote incentive reforms, the Mexican government in 1992 implemented a career ladder, called the *Carrera Magisterial* or Teacher Career, in order to raise teacher status by providing economic and morale-related incentives (see Santibañez 2002; McEwan and Santibañez 2005). Teachers participated on a voluntary and individual basis and received permanent increases that raised salaries by as much as four times more than salaries of teachers who did not join the Carrera. Teachers were evaluated in six areas: seniority, academic degrees, professional development (training),

professional preparation (results from tests of specific knowledge areas), professional performance (peer review), and test results of their students. About three quarters of teachers joined the Carrera.

The Carrera Magisterial also arose in a process of negotiation as one of the components of a national agreement on education reform, designed primarily to decentralize the educational system, signed in May 1992 by the education ministry, the SNTE (*Sindicato Nacional de Trabajadores de la Educación*, National Union of Education Workers), and the governors of the 31 states. This policy had been on the government's agenda since the start of the Salinas government (1988-94), but leaders of the powerful SNTE opposed replacing the five-year seniority scale that was administered directly by the union. Changes in the leadership of the SNTE, orchestrated by the Salinas government, and salary increases offered by the government generated conditions more favorable to agreeing upon evaluation and incentive schemes.¹⁵

Subsequent negotiations in 1993 and 1998 resulted in major changes in the weighting of the components of the evaluation, largely reducing the impact of student scores and increasing the weight of evaluations done by a committee of the school director, a SNTE representative, and peers. In the end the performance component was greatly diluted and nearly all teachers in the Carrera received similar performance bonuses (Ornelas 2002 and Loyo and Muñoz 2002). By the 2000s, the SNTE deployed its formidable powers in elections, in parties and Congress, and even inside the Secretary of Public Education to block further reforms (Santibañez 2008, Elizondo 2011).

¹⁵ See Grindle (2004), Ornelas (2002), and Loyo and Muñoz (2002) for in depth analyses of negotiations between the union and the government.

Ongoing negotiations in Mexico, contrary to the Chilean experience, allowed the SNTE to extend its power over the evaluation process and bargain for changes in evaluations that vitiated performance incentives (OECD 2009b, 46, 208). At first glance, this outcome seems to undermine arguments that negotiations facilitate the implementation incentives schemes; in fact, the Mexican experience helps specify further conditions for successful negotiations. In essence the process in Mexico was much more politicized, with each side, the government and the SNTE, exploiting its power advantages in successive rounds of bargaining. In the first agreement in 1992, Salinas had used the executive's enormous power (in the still authoritarian period of PRI rule) to oust recalcitrant SNTE leaders to force the SNTE to sign the agreement. Later, once the new SNTE leaders were better established, and democratization had given the SNTE new found electoral clout, the tables turned and the SNTE had the power to undermine the 1992 agreement and later gain significant leverage over the ministry of education (Elizondo 2011).

The Mexican experience was thus less one of successive bargains and more one of one side imposing its position and then the other side imposing its. This see-saw process of exploiting relative power advantages strips the negotiating process of resoluteness that, as discussed at the outset, is so valuable for implementing reforms, like performance pay, that require steady long-term implementation to produce the desired results. So, the further condition the Mexican case suggests, confirmed in Chile, is that negotiations take place between stakeholders with independent powers that make it impossible for one side to impose its will and require thus some compromise, and buy in, from each side.

Returning to the Chilean case, since 1990 governments have invested enormous policy attention and resources on education. What our analysis has intended to highlight is the crucial role of ongoing negotiation – as well as credible and enduring government commitment to reform, creative policy design, and steadily increasing salaries -- in paving the way for ultimately consensual reform, both with the Colegio de Profesores and within Congress, to introduce major new forms of salary incentives. As is common in most countries, the teacher union in Chile opposed incentives initially in each instance that government reformers introduced them. In principle, of course, differentiated incentives reduce the ability of a union to mobilize its members, and ultimately can lead to member defections when unions become less important in determining individual salaries. Several factors facilitated the introduction of incentive pay over the initial objections of the teachers' union. First, at the beginning of the 1990s both sides entered negotiations expecting to come to an agreement in part because the political costs of lengthy strikes were high for both sides (especially during the initial transition to democracy), and over time because of the precedent of settlements in each successive round of bargaining. Second, salaries were increasing rapidly throughout this period and faster than average salaries, so Colegio leaders could ensure increases in base salaries for their members and then consent to government demands to add in incentive payments. Third, the sequencing of reforms starting with the Teacher Statute and proceeding through collective and individual incentives reduced possible resistance from teachers and the Colegio.

The analysis of negotiated reform of teacher incentives in Chile is not just useful for understanding educational politics in one country of Latin America, but rather opens a

window on a contentious issue throughout the region and elsewhere on the possibilities for reform in an area with such powerful anti-reform stakeholders. Without suggesting that the Chilean experience could be easily replicated, there do seem to be some lessons – beyond the centrality of negotiations – that might be relevant elsewhere. First, programs to increase resources devoted to education and, in particular, to teacher salaries offer good opportunities to introduce other changes to the structure of teacher pay and incentives. Second, lasting reforms are likely to be lengthy and incremental. Even in Chile where governments had resources, commitment, and strong backing in Congress, reforms moved forward slowly and each successive government attempted to build on the progress of the preceding administration. Lastly, while most governing parties cannot hope to stay in power for 20 years, they can seek out super majorities in Congress (as Concertación governments did through prior agreements with the Colegio) to pass legislation on educational reform (rather than reforming by executive fiat), in order to make reform more resolute.

Appendix. Interviewees

José Pablo Arellano, Budget Director, 1990-96, Minister of Education, 1996-2000, 9 January 2012

Mariana Aylwin, Minister of Education, 2000-03, director of Corporación Aprender, 2003-, 16 March 2007

Rodolfo Bonifaz, coordinator Accreditation and Teacher Evaluation Program, Ministry of Education (MINEDUC), advisor to unions in the 1990s and to the Ministry of Education in the early 2000s, 17 November 2009

Rodrigo Bosch, president of CONACEP (Colegios Particulares de Chile, Association of Chilean Private Schools), 11 January 2010

Pablo González, ex director of Planning and Budget Division Ministry of Education 1994-1996, Coordinator Human Development Report, Chile, PNUD, 17 November 2009

Pedro Montt, Subsecretary (vice minister), and other positions in Ministry of Education, 8 January 2010

Jorge Pavez, President Colegio de Profesores 1996-2007, director Colegio de Profesores, 11 January 2010

Pilar Romaguera, Subsecretary (vice minister) of Education, 2006-07, 23 March 2010

Carlos Veas, executive director, FIDE (Federación de Instituciones de Educación Particular, Federation of Private Schools), 22 March 2010

Osvaldo Verdugo, President Colegio de Profesores 1986-95, director Colegio de Profesores, 15 November 2011.

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