Advancing Pay for Performance

States may be able to play a strong role in rethinking teacher compensation systems, including basing rewards, in part, on student gains.

By Vaishali Honawar and Lynn Olson

As states and school districts start to chip away at the traditional experience- and credential-based salary schedule for teachers, experts suggest that states, in particular, may be able to play a strong role in advancing the move toward performance-based pay and other alternatives, despite some missteps along the way.

For decades, teachers have been paid based on their level of professional education and years in the field. Now, some states and districts are moving to pay teachers based, in part, on the learning gains of their students, their acquisition of specific knowledge and skills other than traditional credentials and credits, or their willingness to take on added responsibilities or hard-to-fill assignments.

The interest in pay-for-performance systems stems from a growing recognition that some teachers are far more effective than others in raising student achievement, and that teachers—like other workers—may respond to monetary incentives.

“This seems to be the next, natural step in the accountability movement,” says Cheri Pierson Yecke, the chancellor of K-12 public schools in Florida, which adopted a pay-for-performance plan in 2006. “We want to reward teachers who are the most effective.”

Though most such efforts have taken place at the district level so far, researchers say that states can play a pivotal role in encouraging and supporting such experimentation.
That’s because districts may lack the political will to use pay to reallocate high-quality teachers to more-disadvantaged schools, as well as the technical expertise to develop the data and assessment systems required to support such programs, says Dan Goldhaber, an economist at the University of Washington, in Seattle.

“Teacher-pay reform is much more likely to be successful if reform takes place at the state level,” he says. “I’m an advocate for experiments. I don’t think we know enough about what works.”

A Rocky History

The history of changes in teacher-compensation policy at the state level is a rocky one. During the 1980s, states such as Florida experimented with merit-pay plans that tied teachers’ salaries, in part, to evaluations of their performance. Others, such as Tennessee, experimented with career ladders that paid some teachers more for taking on additional roles and responsibilities.

But teachers often complained that the evaluations were too subjective, and that the limited pots of money available for such programs encouraged the plans died during tight budget times and because of fierce opposition from teachers’ unions.

Most of the statewide plans that now exist have been around for less than three years; Arizona’s career ladder is the oldest of those, implemented in 1985. And the question remains whether states can learn from the failed innovations of the past.

“Unfortunately, states have had so many false starts,” says Gale F. Gaines, the vice president for state services for the Atlanta-based Southern Regional Education Board, which tracks education policy in 16 states. “They start something, and they run into some rocks, and they start over.”

That’s particularly true when it comes to tying what teachers earn to what students learn.

Today, only a handful of states have high-profile—and widely varying—pay-for-performance experiments: Alaska, Arizona, Arkansas Florida, Minnesota, North Carolina, and Texas. Mississippi passed legislation in 2006, but never funded it.

Others are moving in that direction. The District of Columbia, Ohio, South Carolina, and South Dakota departments of education have received grants under the federal Teacher
Incentive Fund program for performance-based-pay programs. Arkansas and Iowa this school year solicited proposals from schools and districts for small-scale pilot projects. Arkansas lawmakers also approved the Arkansas Alternative Pay Programs, which requires districts to develop teacher-incentive plans using their own money. Those plans, which must be approved by the state education department, cannot base more than half of a teacher’s bonus on gains in student test scores.

By far the most controversial programs have been those that limit rewards to a small group of schools or teachers, or that rely heavily on students’ scores on state tests.

In Alaska, teachers, administrators, and even non-instructional personnel in 43 of the state’s more than 500 public schools received incentive pay totaling more than $2.3 million this school year, the first year of the pilot. But the state teachers’ union—the National Education Association-Alaska—charges that the program is so flawed and unfair that most teachers couldn’t hope to earn an award.

Read about how states are experimenting with pay for performance.

Bill Bjork, the president of the union, says that 80 percent of the schools that were rated “outstanding” based on their progress from one year to the next—the highest of four ratings that qualify teachers for bonuses under the program—had fewer than 20 students. And some of the schools that received bonuses still had failed to meet their achievement targets under the federal No Child Left Behind Act for several years in a row.

“From our perspective, if merit pay is going to make any sense, it has to be accessible to everyone,” Bjork says.

In Texas, only 501 of the approximately 1,150 schools that took part in the Texas Educator Excellence Grants program in the 2006-07 school year remained eligible for the bonuses this school year, forcing many schools to end payments ranging from $3,000 to $10,000 per teacher.

The Texas grants program provides some $100 million annually to high-performing high-poverty schools, based on the state accountability system. Campuses that receive the money must use 75 percent of it to award incentive payments to classroom teachers.
State officials say that while most of the schools that won awards in 2006-07 still met the program criteria this school year, the competition for the grants was simply stiffer.

But Donna Haschke, the president of the 65,000-member Texas State Teachers’ Association, an NEA affiliate, says the inconsistency is demoralizing for teachers.

“Teachers get it one year, and it goes away the next,” she says. “It is very, very insecure for teachers to rely on bonuses.”

In Florida, the state teachers’ union was so upset with the Special Teachers Are Rewarded, or STAR, program passed by the legislature in 2006 that it filed a lawsuit challenging it.

In March 2007, the state replaced the plan with the Merit Award Program, or MAP, which is subject to collective bargaining, unlike the STAR program.

Florida’s new program requires that school districts base no more than 60 percent of the teachers’ bonuses on student growth on state tests, with the other 40 percent based on principals’ evaluations of their performance. Despite the change, just a third of the state’s 67 districts had signed up for MAP by an October deadline.

That same month, the Florida legislature decided to temporarily withhold funding for the program because of a state budget shortfall.

Tom Butler, a spokesman for the state education department, says it’s expected that the money will be restored before districts are scheduled to make new monetary awards in the 2008-09 school year.

**Greater Latitude**

Pay-for-performance programs that make student achievement just one of the criteria have proved less controversial.

Arizona’s career-ladder program, which currently operates in 28 districts, is “fairly sophisticated,” says John Wright, the president of the Arizona Education Association, an NEA affiliate, and takes into account multiple measures of teacher performance, including student-achievement gains. It also rewards teachers for taking on additional roles and responsibilities.
“I, as a teacher, would have the latitude to get to know my students and set particular goals,” he says, citing as an example ensuring that a certain percentage of his students read above grade level by the end of the school year.

Arizona residents approved another performance-pay plan in 2000, the Classroom Site Fund, which requires every district to adopt performance-based pay. But the law does not specify how performance should be measured, and some districts that had career ladders in place are using the money for that purpose, Wright says.

In Minnesota, 39 of the state’s 230 school districts and 21 charter schools take part in the Quality Compensation Program, or Q-Comp.

While the number of participating districts may appear small, says Chas Anderson, the state’s deputy commissioner of education, the plan includes some of the state’s largest school districts, such as Minneapolis. They represent, she says, one-third of the state’s public school student population of about 850,000.

Under the program, districts negotiate salary schedules for teachers that, among other incentives, reward them for meeting agreed-upon gains in student learning, taking on new roles and responsibilities, and earning satisfactory evaluations of their on-the-job performance.

“The school districts that have gone into the program are very pleased with the results and the implementation,” says Anderson. “You are seeing a higher level of professionalism in schools—everything from real-time professional development, to results driven by student data, to having additional career opportunities.”

**State as Partner**

Brad Jupp, one of the creators of Denver’s district-level pay-for-performance plan, says state policy leaders need to learn from past mistakes. “Once they learn from those mistakes,” he adds, “I think there are a number of things that they can do.”

First, Jupp and others say, states need to develop less controversial ways of measuring performance and must build the data-information systems that can link individual teachers with their students, in order to better evaluate teacher effectiveness.
Such data systems also should include information useful for placing, developing, and rewarding teachers, such as the professional development they’ve received and the results from classroom evaluations of their performance.

“What I wish the state programs would focus on more is providing some of the basic support that districts need around the measurement capacity and the data infrastructure that’s necessary,” says Sabrina W.M. Laine, the director of the National Comprehensive Center for Teacher Quality, a federally financed technical-assistance center based in Naperville, Ill.

“Compensation reform is unlikely to be successful on a broad scale unless states help districts put these infrastructure pieces in place,” she says.

Second, states must devise better student assessments and better teacher evaluations, so that educators view the judgments on which monetary rewards are based as fairer.

“The stumbling block is that it’s difficult for districts, on their own, to create these performance-assessment systems,” says Allan R. Odden, a professor of educational administration at the University of Wisconsin-Madison, who studies teacher compensation. “That’s why I’ve been suggesting that this is a role for the states.”

States also can eliminate regulations that stand in the way of new compensation policies, such as language that prevents teachers from evaluating the performance of their peers.

“You need a legal environment that’s permissive,” argues Michael J. Podgursky, a professor of economics at the University of Missouri-Columbia, who recently completed a review of the research on performance-based pay, “to make sure that school districts are not going to find themselves in court.”

Finally, states can provide financial and other incentives for districts willing to engage in experimentation—including careful evaluation of the programs’ results.

“The states should encourage these experiments or pilot studies,” Podgursky says, “but they ought to do it in a way where they can learn whether it works or not.”

But the single biggest challenge in changing the way teachers are paid ultimately will be an economic one, says Jupp, a senior academic-policy adviser to the superintendent of the 73,400-student Denver public schools and a former official of the Denver teachers’ union.
“You can’t create a pay-for-performance system by taking money away from the existing workforce in order to pay the highest performers without creating more havoc than reform,” he says.

“I think what states are going to have to do is create incentives to help school districts find not only the best ideas,” adds Jupp, “but the best ideas for how to pay for these systems.”