



MAKING THE GRADE? A REPORT CARD ON PERFORMANCE PAY PROGRAMS ACROSS THE US

INTRODUCTION

For more than twenty years, the notion of paying teachers more money if they are effective in the classroom has been an issue that has resonated with citizens and policymakers alike. But endorsing merit pay, as it was once called, has often been met with fierce criticism by both the media and by education interest groups. Today that is changing. Thanks to increased attention to the importance of teachers on a student's progress — no matter what their background — performance pay is gaining ground as a critical policy lever to improve schools and to ensure the proliferation of great teaching far into the future.

Even though “performance pay” has gained support, the concept itself remains the single most misunderstood issue in education reform today.

The myths, confusion and misunderstandings over performance pay are widespread. In this Policy Alert, we set out to explain what is, what is not, and what should be teacher performance pay in America, while developing a roadmap for state legislators who seek to implement the changes reformers hope to see achieved in the teacher contracting process. We also grade the existing “performance pay” programs in America today.



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A SIMPLE CONCEPT, COMPLICATED OPPOSITION

The concept of true performance pay is simple.

Teachers are professionals and deserve to be treated as such. While teachers are public employees, they should not be treated as members of the civil service. Professionals, from authors to doctors to lawyers to financial analysts, are rewarded with contracts and pay that is commensurate with their proven ability to influence outcomes. So, too, should teachers. And for teachers, the most important outcome is student achievement.

Despite being good for kids, performance pay jolts teachers unions to loud opposition. Why? Because performance pay appears to threaten the holy grail of union financial strength: the one-size-fits-all collective bargaining contracts that allow many unions to charge outrageous dues to teachers. When teachers see the benefits of negotiating their

own contracts—based on their own performance—unions fear that they will balk at paying \$1,000+ dues.

As you will read, performance pay and teacher contract reform should be one and the same. There is no such thing as true performance pay without contract reform.

The union's stalwart opposition to performance pay continues, but their influence has waned—thanks to a new cadre of supporters across the political spectrum. From newer teachers seeking to rebuild their profession, to new Democrats, to the President himself, what was once seen only as a Republican issue has now become a truly populist issue that is transforming the way most Americans think about school effectiveness.

Unfortunately, performance pay remains an essential, yet unachieved frontier for the education reform movement—with only one program in America coming close to achieving these goals.

A POLICYMAKER'S ROADMAP: PERFORMANCE PAY IS CONTRACT REFORM

True performance pay means complete teacher contract reform, allowing principals to set individual teachers' salaries based on evaluations that are primarily (75 percent or more) based on :

- Ⓢ A teacher's demonstrated impact on student achievement growth (this should be the primary factor in a performance pay program)

Other factors that should be included in a teacher's evaluation and subsequent contract—but should not eclipse more than 25 percent of the outcome—are:

- Ⓢ A teacher's skills and knowledge
- Ⓢ A teacher's advanced responsibilities
- Ⓢ A teacher's willingness to mentor new teachers

True performance pay requires states to have and to utilize effective data systems that *track student progress and growth, over time, and link that progress to the students' teachers.* While many states have excellent data systems, these must be linked to teacher effectiveness in order to develop a performance pay model.

While many states claim that such links are impossible, recent developments—by the news media, no less—demonstrate that it is, in fact, a link that can be made.

The *Los Angeles Times* recently used statewide test data for teachers in the Los Angeles Unified School District (LAUSD), publishing teacher effectiveness data online. As the *Times* described its path breaking project:

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A teacher's value-added rating is based on his or her students' progress on the California Standards Tests for English and math. The difference between a student's expected growth and actual performance is the "value" a teacher added or subtracted during the year. A school's value-added rating is based on the performance of all students tested there during that period.

Although value-added measures do not capture everything that goes into making a good teacher or school, The Times decided to make the ratings available because they bear on the performance of public employees who provide an important service, and in the belief that parents and the public have a right to the information.

The *Times'* project provides a good benchmark and a good reminder that effective teacher performance pay should be based on student *growth*. Effective performance pay uses data not as a snapshot in time, but to gauge a teacher's ability to move students from point A to point B in their learning over the course of a year or more—regardless of the student's initial levels of achievement. **Those teachers who demonstrate significant student learning gains are rewarded with better contracts.**

Unfortunately, there is significant mythology surrounding teacher performance pay—some of it as a result of well-intentioned supporters who do not understand the concept completely, some as a result of compromises in the implementation of programs, and some of it propagated by opponents of teacher performance pay. For example:

- Ⓢ Performance pay is **not** giving a teacher a bonus for increasing student learning gains.
- Ⓢ Performance pay is **not** automatically rewarding teachers of higher-achieving students with better contracts; instead, rewards would be more prevalent for teachers who take underperforming students and move them to higher achievement levels.
- Ⓢ Performance pay is **not** providing increased salaries to every teacher in a school based on school-wide academic performance.
- Ⓢ Performance pay is **not** rewarding a teacher for an advanced certification, such as the type offered by the so-called National Board for Professional Teaching Standards (NBPTS)
- Ⓢ Performance pay is **not** rewarding teachers for taking certain in-service classes or earning "continuing learning credits."
- Ⓢ Performance pay is **not** rewarding teachers who have attained higher degrees.
- Ⓢ Performance pay is **not** rewarding teachers who work in hard-to-staff schools or subjects.
- Ⓢ Performance pay **is** a part of the teacher contracting process, and is not voluntary or reliant solely on outside funding.

Most of the confusion regarding performance pay is derived from the fact that people conflate incentives with *contract reform*. Incentives may be needed in some cases, but they are no substitute for comprehensive teacher contract reform.

PERFORMANCE PAY CONFUSION FROM THE TOP DOWN

If performance pay is a term applied to any kind of program that uses performance generally to assess teacher effectiveness—or is applied to incentive systems—it will not have the kind of effect intended by the concept, which is to apply to education a standard utilized in most private sector industries – that success is followed by rewards and failure is not.

The types of performance pay being touted by the President and Secretary of Education Arne Duncan mean different things to different people.

When President Obama stood in front of the NEA in July 2008, he said, “I will reward them [teachers] for their greatness with better pay across the board and more support.”ⁱ This intentionally vague statement still earned him a chorus of boos.

In his speech announcing the federal ‘Race to the Top’ spending program, US Secretary of Education Arne Duncan said that he and the President wanted to see rewards for the best teachers.ⁱⁱ

But neither the President nor the Education Secretary could explain whether the performance pay they support meets the definitions laid out in the preceding *Roadmap*.

GRADING “PERFORMANCE PAY” IN PRACTICE TODAY

To truly understand the confusion surrounding the term “performance pay,” one must look at the way the term is being used in cities and school districts across the country.

None of the jurisdictions that claim to have implemented performance pay have done so in its truest form, but some come closer than others. This report evaluates the well-known, existing “performance pay” programs nationwide by comparing their tenets to the *Roadmap* outlined earlier in this paper.

Denver, CO

Denver’s ProComp “performance pay” initiative began in 2005 with much national recognition, however it falls short of a true performance pay system. Only a small part of a teacher’s overall compensation is actually based on performance, the rest is just a large system of bonuses and incentives, and teachers that meet those criteria receive additional money. Consider the following example of a teacher’s salary:

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A teacher in the Pro-Comp system starts with a beginning salary of \$37,551. A teacher in her second year of teaching earns an additional \$3,297 for having a master's degree, \$2,344 for working in a high-poverty school, \$2,403 because her students performed well on state exams, \$733 for completing a professional development unit, \$376 for meeting the two student growth objectives she set (not standard objectives by school or state) at the beginning of the year, \$376 for having a satisfactory evaluation (using observations, peer review, etc.), and \$1,000 in tuition reimbursement for her master's degree. She also earned an additional \$4,806 along with the rest of her co-workers because their school was one of the best on the state report card.ⁱⁱⁱ While that list looks extensive, only \$2,403 out of the total \$15,335, or 15.7 percent of the additional compensation was based on the performance of her own students. Also, only the smaller rewards for evaluations and personally set objectives are base building, meaning that the \$2,403 compensation for student results is only a one-time bonus.^{iv}

In addition to such a small portion of a teacher's salary being based on student growth, there is an opt-in policy for teachers who are already working in Denver Public Schools. New hires are automatically enrolled and currently, about two-thirds of all Denver teachers partake in this program.

Grade: C The program is a step in the right direction, but there is too little of an emphasis on student achievement.

Colorado

Statewide, Senate Bill 191, or the Great Teachers and Leaders Bill, was passed in May 2010 and promised to redefine teacher evaluation in the Centennial State. While it may change teacher evaluation and eliminate tenure in some circumstances, the problem with this bill is that it does not yet define how compensation will be changed, if at all.

According to the state, "SB-191 requires that each educator's evaluation will be based at least on 50% student growth and on multiple measures of effectiveness...Senate Bill 191 sets forth criteria to increase compensation and career opportunities for the most highly effective educators."^v The bill explains the new evaluation system, how tenure is effectively eliminated, and how ineffective teachers may be fired or relocated. The bill does not contain specifics about the compensation program, therefore it's impossible to judge what impact this program will have. The program won't be implemented fully across the state until 2013, giving state legislators, union leaders and policy makers a lot of time to discuss, change, or eliminate pieces of this bill to fit their constituents' needs. To make matters worse, if funds aren't received, this program may never get off the ground at all.

Grade: Inc. This program has promise, but it will take strong leadership to bring about true contract reform and not just a "tinkering around the edges."

Chicago, IL

Although Secretary Duncan is supposedly an advocate of performance pay, the program he left behind in Chicago is anything but.

The Chicago Teacher Advancement Program (TAP), *rewards all school faculty and staff*, not just teachers for improved achievement of the school. If test scores increase on the school level, everyone in the building is paid a bonus — from the custodian to the principal.^{vi} The program is based on a four-year implementation plan, where in the first year, teachers receive an average bonus of \$2,000, and in years two through four that bonus increases to an average of \$4,000. Administrators are rewarded more, while other faculty is rewarded less, but all bonuses are based on school wide improvements.^{vii} The problem? When compensation is not based on an individual teacher's performance, there is no differentiating between effective and non-effective teachers. By mislabeling this as performance pay, it can appear that performance pay does not increase student achievement, when in fact it was never properly given the opportunity to do so.

Grade: D+ While the program is based on data and student learning, it's not contract reform, and it doesn't directly impact individual teachers.

New Haven, CT

In the fall of 2009, a new contract agreement between the teachers union and the city was being hailed as a model for reform and for the future. Though this contract was one of the first to tie teacher evaluations to student performance, it only provided school-based bonuses, similar to Chicago, and not actual raises for teachers with improved student performance.

Grade: D+ While the program is based on data and student learning, it's not contract reform, and it doesn't directly impact individual teachers.

Pittsburgh, PA

The Bill and Melinda Gates Foundation's \$40 million grant made possible the development of the Empowering Effective Teachers agreement between the Pittsburgh Federation of Teachers and Pittsburgh Public Schools. This program combines bonuses and merit pay, with traditional annual pay raises over five years. School-wide bonuses will be given to those schools that reach certain academic benchmarks and teachers may also receive additional compensation for student improvement, professional training and extra duties.

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While the plan has strong ideas and an aspect of performance pay, it only applies to newly hired teachers. Teachers already working for Pittsburgh are grandfathered in on the previous pay scales and standard raises are based on tenure. Also, who's to say whether the program will continue beyond the life of the Gates Foundation's grant?

Grade: C- This program is a step in the right direction, but it falls short of true contract reform and only applies to new teachers. Plus, if Gates money runs out, the program is likely to die.

Minnesota

Q Comp was proposed by Governor Tim Pawlenty and enacted by the Legislature in July 2005. It's a voluntary program with 44 school districts and 31 charter schools currently enrolled. Q Comp isn't strictly a performance pay program; rather it allows districts and collective bargaining units to design a plan that involves five components, one of which is performance pay. School districts or charter schools receive about \$260 per student to implement the program. However, the performance pay piece is very small – within the application, a district must demonstrate how at least 60 percent of a teacher's pay increase aligns with teacher performance measures, which includes student achievement, overall school achievement and research-based measures.

Grade: C+ This program is a step in the right direction, but it's voluntary, and doesn't place enough emphasis on student achievement gains.

Utah

Currently, five schools in Utah are in a pilot program to test performance pay. While nineteen schools applied to participate, only five were chosen, three conventional schools and two charter schools. This program gives teachers the opportunity to earn up to \$2,000 in additional bonuses for improving student performance, parent satisfaction and giving quality instruction. The two-year program has just started, so there's not a lot of information out there yet, and each school created their own plan for measuring academic achievement – meaning there is no real way to measure the effectiveness of this pilot program.

Grade: D This is an incentive system, not a performance pay program or contract reform.

Washington, DC

On paper, the District of Columbia has what appears to be the closest thing to a real performance pay system. The teachers union and Schools Chancellor Michelle Rhee negotiated a teachers contract for more than two and a half years, and finally reached an agreement at the end of June. Many education policy makers are calling this agreement historic because of the performance pay system outlined and the additional private funding that will be used to compensate teachers.

Like others around the country, DC's performance pay plan is voluntary. Teachers that decide to opt in forfeit tenure and allow principals to make hiring decisions based upon teacher effectiveness and not seniority. Teachers who show large student improvements, among other measures could earn as much as \$147,000 annually – or about \$20,000 to \$30,000 on top of their current salary. Teachers will be evaluated on how well they improve learning from year to year, and partly by observations of their classrooms by their supervisors. Evaluation is done based on overall student growth instead of proficiency on standardized tests. This was designed to reward teachers that, while their students may not have the highest scores, have had the most growth year-to-year.

Those teachers who do not choose to give up tenure for performance pay will still be earning more money – there is a 21.6 percent salary raise until 2012, with most of the money coming early because it's retroactive to before negotiations. The average salary of all teachers will increase from \$67,000 to \$81,000 without performance pay measures. It's hard to guess how many teachers, with that raise guaranteed, will want to give up tenure for the performance pay, which could provide more money, but also provides less job assurance. DC could take a page from Pittsburgh's playbook and make performance pay mandatory for new hires – it would at least make sure enough teachers go this route so the program can be properly evaluated.

This program, like Pittsburgh's, would not be possible without private funding – an estimated \$65 million from foundations. However, this funding is under considerable risk. The upcoming mayoral election will result in a new administration and a new Chancellor, and could virtually wipe out years of progress. Negotiations that took almost three years could be just as easily cast aside.

Grade: B- While voluntary and reliant on outside funding, the program's salary increases are attractive enough to get teachers involved. This is the closest program to true performance pay in the country.

RACE TO THE TOP AND PERFORMANCE PAY

Aside from state and district models, there was significant hope that the federal government would, after several false starts, incentivize the creation of local performance pay plans under the new Race to the Top spending program.

Unfortunately, Race to the Top simply layered additional confusion onto an already complicated topic.

Race to the Top (R2TT), which allowed states to “compete” for federal dollars, scored state applications based on a variety of metrics: curriculum, standards, school choice, and teacher tenure and evaluation. The “Great Teachers and Leaders” section of R2TT was the largest section and accounted for 138 of the 500 possible points, making it a significant factor in the success of a state’s application.

The guidelines put forth in this section focused on reforming teacher evaluations and using them to inform important decisions, including compensation.^{ix}

However, changing compensation structures actually counted for only seven points in the entire section – so the promise of big changes to teacher pay was not realized.

The majority of points came from changing how teachers are evaluated – by tying teachers to test scores and being able to fire ineffective teachers. Many states ignored the performance pay criteria to focus on larger evaluation plans or made vague statements about looking into performance pay later in the game (Illinois wrote their section in the future tense).

A look at the first two winners of Race to the Top bears out this argument; Delaware and Tennessee had very different plans for new student evaluations and how teachers would be rewarded for their students’ achievement – and neither really fulfilled the promise of true performance pay.

Delaware’s plan is an *incentive system*. It doesn’t involve implementing performance pay in all of their public schools. Instead, teachers will be rewarded with bonuses based on effectiveness in the lowest-performing and high-minority schools, and not until Fall 2011. Delaware determines highly effective teachers by measuring their student achievement, observation, and self-assessment. Highly effective teachers in critical subject areas will receive bonuses of around \$10,000, while highly effective teachers in non-critical subject areas will receive \$8,500. Delaware also plans to continue its small Achievement Award Program that provides bonuses of \$150,000 to five schools a year that close the achievement gap significantly and/or exceed expectations for AYP.^x

All of the great data Delaware is collecting to evaluate teachers on student performance and their effectiveness in the classroom isn’t being translated into differentiating salaries. They are using a system of bonuses for teachers in urban areas rather than a system of true performance pay. This is particularly evident in that it is distinguishing between critical and non-critical subject areas. A good teacher is a good teacher, and should be

equally awarded amongst her peers. Drawing a distinction between subject areas is simply another way of showing that Delaware's Achievement Award Program is masquerading as a bonus system.

Tennessee's application boasts that they are simply expanding the Memphis Teacher Effectiveness Initiative, a program that was in place before R2TT began and funded by the Bill and Melinda Gates Foundation.^{xi} The initiative uses a base compensation system that is determined by a teacher's performance instead of seniority and higher degree attainment. The plan closely follows the guidelines that require a state to use teacher evaluations with a significant portion constructed with student performance and improvement.^{xii} However, the statewide plan won't be implemented until 2011 and only after that can decisions on hiring, firing and compensation be made using the new system.

Thanks to additional funding from the Gates Foundation and other matching funds, Tennessee is attempting to develop a true performance pay system. The system will be a combination of differentiated base salaries with performance and retention bonuses. However, because Race to the Top's success was dependent on LEA and teacher union buy-in, "funds will be awarded to districts for the purposes of designing and/or implementing sustainable compensation systems based upon alternative salary schedules. Districts must have the agreement of their local teacher's union where one exists."^{xiii} Sentences like that make it easier to see why Tennessee had almost total support from districts and unions. If the state puts a plan together that the union or LEA doesn't approve of, then they don't have to agree to it, which could knock out performance pay's chances of implementation across the state.

That's the problem with a majority of the reforms suggested in state applications for Race to the Top and the importance of buy-in. By giving districts an opt out of major education reforms just to win funding means that these reforms, once implemented, will hardly reflect their original intentions. Performance pay will be about bonuses and only for certain teachers in certain neighborhoods teaching certain subjects – and will just be pilot programs.

CONCLUSION

Performance pay and teacher contract reform are one in the same, and despite steps in the right direction—there is no national model for teacher performance pay that is being utilized in any state, city, or school in America today—with the exception of public charter schools and private schools.

Teacher performance pay remains the final frontier of education reform, and the confusion surrounding the issue has the potential to lead to watered-down, ineffective programs that emphasize “buy-in” over student growth.

As our report demonstrates, most of the existing “performance pay” programs in the country violate the central rules laid out in our *Roadmap*.

Many take an “everybody wins” approach by rewarding all staff members for academic improvements, or focus on incentives alone—by giving teachers bonuses for academics, credentials, or taking leadership roles. The Washington, DC system has the most potential to be real performance pay, but only if the program can woo enough teachers with more money but tougher evaluations.

President Obama and Race to the Top have encouraged performance pay in words, but have not influenced teacher contract policy in a meaningful way. After reviewing Race to the Top applications, it is clear that compensating teachers for excellence took a back seat to creating long-term evaluation plans.

As further plans are made to initiate performance-based teacher compensation, districts and states must take into consideration the purpose of performance pay and its proper definition. Performance pay rewards excellent teachers with higher salaries, not with occasional bonuses. If instituted properly, performance pay has the potential to raise student test scores and close the achievement gap by using market-based incentives to drive teachers to perform.

Performance pay that’s not written in law, that isn’t mandatory, or that derives its funding from outside sources is a slippery slope because it can be changed or eliminated quickly. For performance pay to be successful, it must evaluate teachers on academic achievement of their students, reward teachers for their efforts, and be able to withstand regime changes and other outside factors. Real performance pay must become the new status quo.

ENDNOTES

- i <http://thepage.time.com/pool-reporttranscript-of-obamas-nea-speech/>
- ii <http://www2.ed.gov/news/speeches/2009/07/07242009.html>
- iii <http://www.ednewscolorado.org/2010/06/01/procomp-initial-findings-positive/>
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