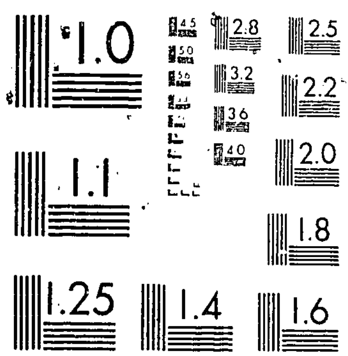
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ABSTRACT

The 13 documents and journal articles annotated in this document discuss and describe merit pay programs for teachers and for administrators. (IRT)

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The Best of ERIC presents annotations of ERIC literature on important topics in educational management.

The selections are intended to give educators easy access to the most significant and useful information available from ERIC. Because of space limitations, the items listed should be viewed as representative, rather than exhaustive, of literature meeting those criteria.

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Merit Pay Programs

1 **Bergquist, Harold.** "Reward for Performance: A Workable Management Process?" *Catalyst for Change*, 1, 3 (Spring 1972), pp. 20-22. EJ 063 192.

Merit pay programs have long raised fear. Nevertheless, Bergquist notes, work performance does differ in quality, and it is possible to determine such quality differences. He argues that we can go further and reward the high achievement we find.

Bergquist describes briefly one attempt at a workable merit program—the Grand Forks, North Dakota, schools' merit plan for principals, which enables principals, on the recommendation of the superintendent, to receive bonuses of up to 9 percent of their base salary. Bergquist links the program with the district's recent turn to a behavioral objectives curriculum.

The program's evaluation process emphasizes performance objectives. Principals develop their own performance objectives, which are reviewed by their supervisors. The central office conducts eight formal building visitations and provides reports for each visitation. Numerous principal-supervisor conferences fill out the process. The district wanted to include peer evaluation in the process, but the principals rejected it.

The program has brought mixed results, Bergquist states. Although the board likes it, some principals do not. Some have praised the program for its reinforcement of achievement, its direction of principal effort, its encouragement of self-evaluation, and its provision for greater communication among principals. Critics have charged that it has caused jealousy among principals, lowered principals' security, and wasted time for meager bonuses.

2 **Bhaerman, Robert D.** "Merit Pay? No!" *National Elementary Principal*, 52, 5 (February 1973), pp. 63-69. EJ 077 855.

Bhaerman, research director for the American Federation of Teachers, distinguishes old-style and new-style merit pay plans for teachers. The traditional plan has used rating scales to assess teachers according to such criteria as classroom effectiveness, ethical and professional behavior, cooperation, and community participation. Its use has been limited to slightly over one hundred mostly small, wealthy, and suburban districts. The new-style approach, linked with behavioral approaches to education, emphasizes payment for objectively measured student achievement. So far its life has been one of proposals.

Both kinds of merit plans are fraught with problems. The most serious are the impossibility of making truly accurate judgments of teacher quality and the creation of dissension within the school, both among teachers and between teachers and principals. Bhaerman illustrates these problems with several comments from teachers and principals.

Evaluation is not the issue, Bhaerman stresses. Although teachers rightly reject evaluation that serves controlling and destructive ends, they welcome diagnostic evaluation, which serves "the goal of continuous growth of all teachers."

"Most teachers," Bhaerman states, "will not accept evaluation *for* merit pay under any circumstances." If administrators will listen to teachers, he concludes, they will hear, "Evaluation for constructive, diagnostic purposes, yes. But evaluation for merit pay? Never!"

3 **Bruno, James E.,** and **Nottingham, Marvin A.** "Linking Financial Incentives to Teacher Accountability in School Districts." *Educational Administration Quarterly*, 10, 3 (Autumn 1974), pp. 46-62. EJ 107 287.

The present structure of labor-management relations in education, Bruno and Nottingham find, works against educational professionalization. The evaluation of teachers by administrators poses a particularly serious problem. The two propose in response a "profit sharing" incentive plan that they believe will not only improve teacher performance, but also foster collegiality.

Their plan, tested in the Norwalk-La Mirada, California, schools, links staff compensation with student achievement in a manner designed to avoid common merit plan problems. Instead of rewarding individual teachers, it rewards instructional teams (teachers, specialists, administrators, and aides) responsible for a given class, grade, or larger group of students. This team approach should encourage collegial interaction, functional specialization, and peer pressure for high performance.

Teams receive supplemental pay based on the percentage of students reaching a preset achievement distribution or goal. The plan's complicated nonlinear or exponential curve, discussed in detail, provides for increased incentives for teaching more difficult students. The plan thus accommodates students' individual differences.

4 **Deci, Edward L.** "The Hidden Costs of Rewards." *Organizational Dynamics*, 4, 3 (Winter 1976), pp. 61-72. EJ number not yet assigned.

Human resources theorists (notably McGregor and Herzberg) have questioned management's traditional reliance on extrinsic rewards and punishments for motivating workers. Such means, they charge, amount to seduction and rape and prove self-defeating in the end What is needed is an emphasis on intrinsic rewards, which derive from the work itself When work is challenging and invites achievement and growth, workers will motivate themselves

Their work establishes the prime importance of work content for motivation and the danger of management's emphasis on external controls Deci adds that pay incentives and other external rewards and punishments can be dangerous even when work is rich in intrinsic rewards In this article, he sums up his important work in straightforward prose for an audience of business managers

Deci attacks the common view that extrinsic and intrinsic rewards are compatible According to this view, management can best motivate workers by making as many rewards as possible, both extrinsic and intrinsic rewards, contingent on effort

Deci finds that some extrinsic rewards can reduce intrinsic motivation, which he associates with basic needs to feel competent and self-determining Extrinsic rewards, particularly such tangible ones as contingent payments and the avoidance of punishment, subvert a person's sense of self-determination and intrinsic motivation by making behavior dependent on external causes The rewards shift the origin of motivation from within the person onto themselves, the rewards, and not the person's own interest, become the reason for the behavior

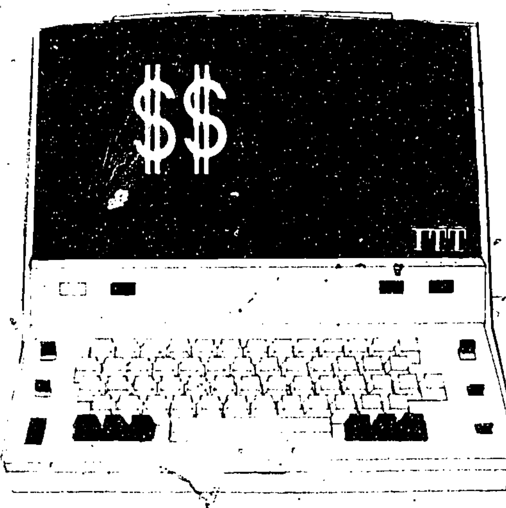
Such a shift contaminates a worker's participation at work: he or she finds the rewards more important than the work itself and seeks ways to get them for the least effort

Not all extrinsic rewards, Deci adds, are dangerous Praise and support can enhance intrinsic motivation as they communicate that workers are competent and self-determining The dangerous ones are those that serve mainly to control behavior, and among them are merit incentives

5 **Dubuque Community School District.** *Summary of the Development and Four-Year Operation of an Administrative Salary System Which Includes Performance Appraisal.* Dubuque, Iowa: 1973. 19 pages. ED 102 707

The Dubuque, Iowa, schools report the four-year history of their administrative merit system. All administrators of the rank of principal and below fall under it.

Five factors determine administrative salaries: contract length and position responsibility hold the greatest weight; training and experience very little weight; and performance, a relatively small, but variable weight. For the 1973-74 school year, merit pay accounted for 1.3 percent of administrative salaries All five factors receive point values and are multiplied by a set sum to establish salaries The system is designed so that an average performance rating puts administrative salaries in line with those of comparable Iowa districts



The district details the salary factors, but it has less to say about the appraisal process, which is based on management by objectives The district's administrators set goals and objectives early in the year, conferring with their supervisors, and later complete self-evaluations (sample forms are included) for their final evaluation conferences. Their fulfillment of their goals determines their evaluation. The district has taken extreme cautions to keep the performance ratings confidential.

Dubuque's still developing system has met with some criticism Some complain that it has inhibited communication among principals, and some wish to eliminate the merit pay But the report favors it and notes that many appreciate its rewarding of high performance. The real problem, the report concludes, lies not in the system's mechanics, necessarily imperfect, but in individual resistance to it.

6 **Keim, William E.** "Pennridge School District How to Evaluate Administrative Staff: Recognizing Good Management." Paper presented at the National School Boards Association annual convention Miami Beach, April 1975. 10 pages. ED 105 649.

Some writers have judged management by objectives to be the single most important development in management theory and practice. Keim believes that it will prove the same for educational administration. For Keim, management by objectives offers schools managerial efficiency and a sound method for evaluating and rewarding achievement. The Pennridge, Pennsylvania, schools have built their administrative merit pay plan on management by objectives.

The Pennridge plan, as Superintendent Keim reports, evaluates administrators according to both common and individual goals and objectives. An administrator can earn a total of 1,000 points: 750 points for ongoing administrative duties and 250 points for individual goals. The superintendent and his assistants evaluate all administrators at the end of each semester and can recommend bonuses of up to 5 percent of an administrator's base salary.

Goal setting, Keim emphasizes, is difficult and demands teamwork as well as individual work. (Keim stresses that the district fuses management by objectives and a team approach to management.) The district's goal-setting process calls for the administrators to meet as a team and in smaller groups to set common goals for all. Each individual then works up a set of personal goals and objectives for peer review. In one long group meeting, each administrator passes out copies of his or her goals to all and explains them, and the group rates them for priority. The group's ratings determine the point value for each objective in the administrator's individual set of goals.

Although management by objectives takes some years to mature, Keim states, it can be quickly started and bring immediate benefits. Keim notes that the Pennridge plan has from its start improved communication and the delegation of responsibility and heightened morale and trust.

7 **Latham, Gary P.,** and **Yukl, Gary A.** "A Review of Research on the Application of Goal Setting in Organizations." *Academy of Management Journal,* 18, 4 (December 1975), pp. 824-45. EJ number not yet assigned.

Supporters of merit pay programs often base their proposals on management by objectives borrowed from business and industry. Humanist critics respond that such management methods are misapplied in education. Schools are not factories or businesses, these critics argue. Teaching and learning remain open and uncertain: what counts cannot be so easily specified or quantified.

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The humanist position receives support from this comprehensive review of goal-setting programs.

Latham and Yukl review twenty-seven studies of goal-setting programs in a variety of business and industrial organizations. They find that goal-setting programs have proved effective in improving performance in varied organizational settings at both managerial and nonmanagerial levels. Both programs with incentives for goal achievement and programs without them have been successful.

These conclusions favor merit and management by objectives proposals. But the authors also point to some conditions that limit the usefulness of goal-setting programs. Goal setting holds the least promise, they write, where jobs are complex and performance difficult to measure precisely. The two note that programs with managers, whose jobs are usually complex, have met with more problems and been less successful than programs with nonmanagerial workers. Apparently the complexity of the work of teachers and principals argues against educational goal-setting programs.

8 **McKenna, Charles D.** "Merit Pay? Yes!" *National Elementary Principal*, 52, 5 (February 1973), pp. 69-71. EJ 077 856.

The Ladue, Missouri, schools have maintained a teacher merit pay program to improve instruction and reward excellence for over twenty years. Evaluation determines teachers' placement on one of three salary schedules and their receipt of variable salary increments.

Ladue principals evaluate their teachers according to broad guidelines developed by a committee of teachers and administrators. The guidelines break down into three major areas: (1) personal qualities, which include basic character, mental and physical health, and interpersonal relationships, (2) preparation and growth, which include advanced study, travel, related work outside teaching, and participation in professional organizations, and (3) quality of teaching, which includes classroom management and effectiveness, instructional planning, evaluation, responsiveness to student needs, contribution to school climate, and cooperation with staff. The district emphasizes continuous evaluation: conferences, particularly pre- and post-observation conferences, form a major part of the process.

Whereas many merit plans have failed, McKenna, the district's superintendent, notes that both staff and community judge the Ladue program a success. He believes that teacher participation in its design and ongoing evaluation have contributed to this success. Also important have been an emphasis on teacher self-evaluation and teacher-principal communication and planning.

9 **Meyer, Herbert H.** "The Pay-for-Performance Dilemma." *Organizational Dynamics*, 3, 3 (Winter 1975), pp. 39-50. EJ number not yet assigned.

The work of Deci, based on laboratory experiments rather than studies of actual work situations, is controversial, but it is gaining acceptance among management theorists. Among those supporting Deci is Meyer, whose criticism of merit pay programs complements Deci's work from the perspective of industrial experience and research.

Meyer accepts Deci's charge that contingent payments reduce intrinsic motivation and points out additional drawbacks to merit programs. We must doubt supervisors' ability to make objective and valid distinctions among workers' performance. Such programs are demeaning and paternalistic in that they emphasize workers' dependence on their supervisors. They also create competition among workers, which generates mutual hostility, distorts perceptions of self and others, and lessens interaction and communication.

Most important, merit pay programs threaten the self-esteem of the great majority of workers. Almost all workers believe themselves to be above-average performers, and their expectations for substantial pay increases are bound to be frustrated by even well-administered merit programs. Workers will commonly react to the threat posed to their self-esteem by exerting pressure for lowered standards of performance, downgrading the value of the work, or disparaging their supervisors' capabilities.

10 **Murray, Stuart, and Kuffel, Tom.** "MBO and Performance Linked Compensation in the Public Sector." *Public Personnel Management*, 7, 3 (May-June 1978), pp. 171-76. EJ 183 269.

Management by objectives has proved itself in business, but public organizations have made only limited use of it. They have been even more reluctant to link management by objectives with merit pay. Murray and Kuffel argue that this reluctance is self-defeating (it may account for much of the inefficiency of public organizations) and call for a union of management by objectives and merit pay in public organizations.

They acknowledge that this union may have drawbacks. One theorist says that it may encourage employees to avoid difficult goals, overemphasize individual performance in place of teamwork, and present serious evaluation problems. But the authors counter that this union enhances motivation and further charge that the failure to reward high performance with pay or promotion will likely subvert employee effort.

They illustrate their argument with a survey of 126 administrators of a state social service agency using management by objectives. Most of the administrators, they report, saw no strong relationship between achieving their objectives and future pay (72 percent) or future promotion (70 percent). Only a minority (38 percent) continually met or exceeded their objectives. The authors suggest that these administrators were motivated by intrinsic rewards

Administrators who do not see a link between their goal achievement and the reward system, they conclude, will fall short of their goals unless the work provides for intrinsic rewards.

11 **Sergiovanni, Thomas J.** "Financial Incentives and Teacher Accountability: Are We Paying for the Wrong Thing?" *Educational Administration Quarterly*, 11, 2 (Spring 1975), pp. 112-15. EJ 119 199.

Sergiovanni forcibly questions Bruno and Nottingham's incentive proposal. Their scheme, he argues, provides thoughtful means without thoughtful ends. Separated from educational purposes and beliefs, it remains an empty technical artifice lacking substance and meaning. It trades away accuracy, a matter of importance and value, for greater precision in measurement. What it measures precisely—student gain on achievement tests—holds in itself only dubious value. The plan fails to accommodate important learning goals that cannot be easily quantified and encourages teachers to slight them.

Their scheme should also lessen motivation in the long run. It may seek a true collegiality, but it provides only one tainted by paternalism. A form of neoscientific management, it employs external and impersonal means to control workers, and it acts ultimately to take away teachers' self direction and reduce them to pawns.

Bruno and Nottingham reply in following pieces. The discussion of the three raises most of the major issues of the current debate between accountability and humanist theorists.

12 **Stoddard, Robert.** "This Board Hired a Superintendent Who Requested a Merit Pay Plan for Himself." *The American School Board Journal*, 166, 1 (January 1979), p. 41. EJ number not yet assigned.

Stoddard briefly describes the Salmon, Idaho, schools' recent turn to merit pay. The district has started a merit plan for its new superintendent, on his request, and it hopes to extend the plan to its entire staff.

Under the plan, a pay committee established by the board evaluates the superintendent's performance for salary adjustments. A committee of one principal, one teacher, one noncertified employee, two board members, two community members, and one student judges the superintendent's achievement of preset goals for such areas as leadership, organization, management, finance, and employee morale. The superintendent receives grades of A through F, and these translate into point values of five through one. The overall rating determines his salary. A rating of between 4.1 and 5 earns a $1,000 bonus, a rating of between 3.1 and 4 a $500 bonus, a rating of between 2.1 and 3 a $500 forfeiture, and a lower rating a $1,000 forfeiture. The committee's evaluation applies only to salary matters; the board still holds responsibility for the superintendent's final evaluation.

Stoddard, board chairman, admits the imperfection of the new system. He notes that the superintendent has shown concern that the grade system does not provide much specific information. But the plan is "a step in the right direction." Next year all administrators, Stoddard adds, will be placed on the merit plan, and the superintendent is currently trying to persuade the teachers to accept it voluntarily.

13 **Wynn, Richard.** *Performance Based Compensation Structure for School Administrators. SIRS Bulletin No. 2.* Olympia, Washington: School Information and Research Service, 1976. 25 pages. ED 128 949.

Traditional merit pay programs, Wynn argues, are practically worthless; they are limited by primitive rating forms and lack reliability and validity. Such programs are often short-lived. New management-by-objectives merit programs hold much greater potential. Their success, however, demands careful and cooperative program design and implementation. A management-by-objectives program must mature and win confidence before it is used for merit pay.

Wynn provides a step-by-step model for the development of a management-by-objectives merit system. His critical discussion and abundant detail (especially on goal setting) make his bulletin the best work in support of administrative merit pay. His work is the only one sufficiently rich in detail and example to guide schools through all stages of program development.

Wynn's model bases administrative salaries on position base salary, salary increments, and performance incentives. Salary increments depend on achievement of routine objectives. Merit incentives depend on achievement of problem-solving, creative, and personal development objectives. The first of these focus on serious and recurring school problems. A principal might seek, for instance, to reduce school vandalism, student drug abuse, or teacher absenteeism.

Creative objectives call for the development of new programs and offer the greatest potential for action. Personal development objectives include graduate study, inservice activity, community participation, and research. Wynn discusses common problems posed by goal setting, gives guidelines for writing objectives, and includes sample goals and objectives.

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