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ABSTRACT

This paper discusses the concept of performance-based pay, or merit pay, for teachers as a way to encourage better teaching. It begins with a general discussion of the issue of performance-based pay, which on the surface seems simple, but in practice is very complex. It continues with a discussion of whether the achievement to be assessed is based on the teacher's knowledge and skills or on the academic achievement of students. It explains that some of the plans being developed focus on teacher competency while others are based on student achievement. Then follows a discussion of whether additional pay based on student achievement is an incentive or a disincentive based on the nature of the incentives. The paper concludes with a call to move quickly and realistically to deal with the complexities of state or local school district performance-based compensation plans. Included are a table describing a performance-pay plan used in Douglas, Colorado, and 10 references. (WFA)

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**CURRENT USE OF STATE AND LOCAL SALARY SCHEDULES  
TO ACHIEVE STATEWIDE EDUCATIONAL GOALS**

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**Mid-Western Educational Research Association Meeting**

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## CURRENT USE OF STATE AND LOCAL SALARY SCHEDULES TO ACHIEVE STATEWIDE EDUCATIONAL GOALS

### Background

This presentation could be subtitled, "Since the Phoenicians invented it, there is no substitute for money." Political leaders at the local, state and national levels use money to accomplish policies and goals. It should not come as a surprise to anyone that these leaders are seeking ways to use money to accomplish educational reform. Recognizing that teachers play a key role in any school improvement, the political leaders are increasingly interested in programs which relate educational performance, usually measured by student achievement test scores, with teacher compensation. The goal, of course, is to provide an incentive which will encourage better teaching and, consequently, higher student achievement. According to Scott LaFee (2000), in at least 20 states, school districts are using some sort of bonus system linked to teacher performance. This number is sure to grow in the coming years. This is reinforced by the growing recognition that motivated skilled teachers are the heart of any real and lasting educational reform movement.

Adding to the ease of moving to some sort of performance-based salary for teachers is the widespread lack of understanding of the current approaches to teacher salaries. The almost universally adopted approach used today is based on the teacher's professional training and number of years of experience. In an environment of people who pay or are paid based on the job and the value of the work performed, an approach based on training and experience is bemusing. One of the authors of this paper remembers a question from the chief executive officer of a major rubber company about why all second grade teachers did not get the same salary based on the fact

that they all taught second graders. The attempted answers were greeted politely but with skepticism even though he was a strong supporter of public schools. This perceived disconnect between the factors used to determine teachers' salaries and actual student achievement has helped fuel the cry for results-oriented teacher compensation plans.

There are a number of approaches attempting to link teacher pay to student achievement, usually measured by test scores. LaFee (2000) notes:

Roughly half the states, according to Education Week, have passed or are considering legislation involving merit pay in schools. In Florida, all school districts must include performance components in their teacher's salary schedules. And at least a dozen districts, from the sprawling Los Angeles Unified School Districts with more than 711,000 students to the Colonial School District in Plymouth Meeting, Pennsylvania with 4,700 students, want compensation to be linked directly to student performance on standardized tests.

LaFee's (2000) estimate of a dozen school districts from the Los Angeles Unified School District to small school districts who have developed or are developing performance-based programs appears to be below the actual numbers engaged in these efforts. There is evidence of a rapidly growing interest in developing compensation plans which are based on student achievement. Time will tell if such efforts succeed. Merit pay plans have been around since the 1920's and in almost all cases, the school districts involved in this approach discontinued the practice within five years of implementation.

While on the surface, the development of a performance-based model seems relatively simple, in practice it is very complex. There are a number of issues which need to be considered and resolved. At this point in time there is no commonly accepted model which can be followed.

There does not seem to be a trend to point the way. As a result there is little if any agreement as to resolving the issues. There does not even appear to be a consensus on the issues to be considered. A discussion of some of the more obvious issues follows.

### **Knowledge and Skills**

An issue to resolve is whether the achievement to be assessed is based on the teacher's knowledge and skills or on the achievement of students. Some of the plans being developed focus on teacher competency, and others are based on student achievement.

Allan Odden (1998) suggests that salary schedules could provide for salary increases for knowledge, skills and compensation ties to a more rigorous curriculum. Odden (1998) believes for this type of system to be put into place would require written descriptions of what accomplished teaching entails and rigorous assessments of individual teacher practices related to those higher standards. Odden (1998) states that outside of education, changes have occurred to compensation packages that included performance incentives which lead to improving salaries and overall working conditions in the private sector.

Howard Risher (2000) believes that competence in this context refers to an employee's knowledge, skills, and abilities and to learned behavior. He points out the ongoing debate about how to pay teachers follows from efforts to develop a new model for managing employee compensation in the private sector. The traditional model ignored the job incumbent and focused on the job. The new model focuses on the incumbent and his or her capabilities. The more employees can do, the more they are generally paid. An example of this approach in education would be the incentives paid by some states and a number of school districts for National Board Certification. The much publicized Cincinnati pay plan appears to be based on this concept.

Kathleen Ware, the associate superintendent who helped develop the plan, believes that there is no real direct evaluation link to student test scores (LaFee, 2000). Howard Risher (2000) would concur with LaFee's comments. On the other hand, governors and business leaders continue to push for school districts to implement "pay-for-performance incentive plans." The lessons learned from the private sector are presented as the support rationale. A number of economists support this approach. These plans define achievement in terms of student performance on standardized tests and for many political and business leaders this is education's bottom line. This issue of the focus of achievement is very important in terms of the design of any incentive program.

The Douglas County Colorado Performance Pay Plan in Appendix A (Weil, 2000) incorporates the elements of knowledge and skills-based pay and group-based performance pay into a salary structure. This plan maintains the educational credits and degree aspects of the single salary schedule, links pay for years of experience to teacher evaluation, and adds several new components, including an outstanding teacher award, knowledge and skill-based pay, group-based pay, and responsibility pay. The focus of the plan is to more effectively manage the largest budget item, personnel dollars, and at the same time respond to concerns from the community about the effective use of public dollars. To date the district has passed all its bond issues since the plan was implemented, student achievement has increased, and the district has developed and implemented performance pay plans for classified staff and school district and school level administrators (Kelly, 2000).

The Consortium for Policy Research in Education (University of Wisconsin-Madison, 2000) found in its research on teacher compensation that a knowledge and skilled-based pay program is one that seeks to improve skill levels of the teaching staff, reinforcing the vision of

good teaching, competing for teaching talent with other school districts, and adding accountability to teacher pay. The performance awards program, if it is to be successful, should be school-based because it offers the opportunity for cooperative efforts on the part of the staff.

The discussion of student achievement and appraisal in the next section is a key component of reforming a teacher compensation plan.

### **Student Achievement and Appraisal**

The issue of measuring student achievement is of importance if student achievement is to be the measure of performance. The basic question to be answered is whether the assessment is to be based in the growth of achievement by students or groups of students or the student's achievement against some standard, for example grade level performance. In the former case a pre-test/post-test format is necessary. The latter case requires a clear, agreed upon definition of grade-level standards. Both assume that the standards test measures what has been taught.

The whole issue of pay linked to student achievement based on standard-based tests has been, and continues to be, controversial. Many critics cite the fact that the standardized test scores are significantly influenced by factors outside the classroom. The classroom is beyond teacher control (LaFee, 2000). Duncombe and Yinger (1999) pointed out:

This focus on performance is entirely unfair unless it can somehow account for the impact on performance of factors that are outside the control of school officials. Without such an accounting, some schools get credit for favorable conditions that were not of their own making, and other schools get blamed for unfavorable conditions over which they have no control. In order to be fair, school report cards and performance-based state aid systems must distinguish between poor performance based on external factors and poor

performance based on school inefficiency.

While their comments were aimed at school funding formulas, they apply with equal force to plans for performance-based pay systems. They listed factors identified by research affecting performance include, among other things, the share of students receiving a free lunch, a measure of poverty, the share of adults in the district with college degrees, student turnover, and district enrollment. Other authors would add concepts such as the amount of time the teacher actually has with the child. Duncombe and Yinger (1999), while discussing school funding, made the following statement that is equally applicable to incentive pay based pay plans:

An extensive literature search establishes that both school district and student performance depend not only on factors that school officials control, such as the student-teacher ratio, but also factors that are outside their control, including input prices, such as regional wage rates, and environmental factors, such as concentrated poverty. It follows directly that the cost of education is not the same in every district, with higher costs in districts in higher-wage labor markets or with a harsher education environment. A shift to educational performance standards, whether these standards are simply targets or are imbedded in a foundation aid program, can be neither fair nor effective unless it recognizes this variation in the costs of education. This shift cannot be fair to districts that, through no fault of their own, face harsh educational environments and it cannot be effective because it hands out rewards, and punishment that are not related to the contributions of the school personnel.

Proponents of the use of standardized tests cite the ease of assessment, the meeting of expectations and the correctness of the data as reasons for their use. They maintain that measurable results should be the major objectives of educational programs.



The issues of the type of appraisals and who does the appraisals are also important considerations. Questions such as what will be appraised need to be resolved. For many political and business leaders, the answer is simple, use students standardized tests scores. Most educational leaders point out that this approach ignores other important aspects of an education. For the most part, standardized tests bypass the arts, vocational education, and physical education, as examples. There is growing concern that measuring student achievement with the current standardized tests ignores many important aspects of a student's education.

The who of the evaluation is also an important question in the assessment issue. Traditionally, this has been an in-house responsibility of the school district administrator. There appears to be a growing interest in involving a wider range of stakeholders, including parents, students, citizens, and business leaders in addition to the traditional school personnel. Several such plans have been developed and being implemented. One such plan, 360-degree feedback, is being utilized by school districts. Cave Creek Arizona United School District uses student feedback in determining career ladder promotions, while the West Des Moines, Iowa Community Schools use the 360-degree feedback approach to determine group incentive pay for school administrator pay raises (Manatt, 2000). The question of who should be involved in the appraisals appears to be a growing concern.

### **Nature of Incentives**

A basic issue is whether additional pay based on student achievement is an incentive or disincentive. The teacher's professional organizations tend to take the position that pay based on performance can be counter productive to collaborative teamwork among teachers. This has been the experience in states like North Carolina, which was an early user of the career ladder

approach. Studies over the years have concluded that merit pay is not an effective strategy for motivating teachers to achieve high performance levels. It is interesting to note that in the current efforts to establish achievement incentives, most of the districts involved are offering incentive programs to whole schools or groups, not individuals (LaFee, 2000). While the building/group approach reduces the competitive factor, it is not eliminated. Problems such as the role and involvement of support personnel, substitute teachers, educational specialists and the like can complicate the division of the incentive rewards.

There are a few performance pay plans which include both teacher-based competency expectations and student achievement. Recently the Kentucky legislature created a commission to study teacher compensation. One of the proposals being presented for consideration would create a pay system that rewards teachers with higher wages if they have better skills and with bonuses based on student performance. The Iowa legislature has adopted a performance pay schedule based on "a four-step career path," plus bonuses for employees working in schools where students made gains in student achievement (Blair, 2001). This new compensation program is designed to reshape how teachers are compensated and is supported with the emphasis on improving student learning and keeping and attracting the best and brightest in the teaching profession. It is far too early to evaluate the effectiveness of the knowledge and skills or student performance approach and whether such will be more acceptable to teachers and other critics of performance-based pay plans.

Much more thought and investigation are needed as to the advantages and disadvantages of individual incentive awards, group incentive awards, or some combination of the two and whether they should be based on teacher performance, student performance, or some

combination. Since most of the incentive programs being developed and implemented involve the use of student test scores as at least one of the determinate factors, the issues surrounding use of these measures need to be studied carefully. Ideally, such incentive programs must avoid handing out rewards and punishments that are not related to the contributions of school personnel (Duncombe and Yinger, 1999).

The nature of the incentives can also be an issue. Most of the incentive plans reviewed in the literature involve bonuses to individuals or groups, and they are usually based on student performance. Some such as the National Board Certification are based on other factors. Only a few of the incentive plans result in a basic salary schedule based on performance. The Cincinnati Plan is an example of a basic pay schedule based on five performance levels. Some of the concerns relating to this issue as related to the bonus approach include the size of the bonus in relation to the level of achievement, whether it is one time or continuous part of the teacher's pay, and similar concerns. In regard to the development of competency-based pay scale, questions such as the factors which will be included, what evidence is symptomatic of achievement of the competency, and what happens if the competency fades. The issue of the pay mechanics needs to be explored and discussed before adoption of any incentive plan.

### Conclusion

Since the early part of the 20<sup>th</sup> century, public schools have been paid through a state or local salary schedule. Teachers earn more based on their degree's and number of years of experience. Ann Bradley believes this type of system is fair and equitable, but she does not ensure that teachers will gain the specific knowledge and skills that are needed in today's more decentralized schools. Educational reformers believe this type of pay system does not financially

reward teachers for school improvement. In general, the public does not like the fact that teacher pay is not linked to job performance.

The issues reviewed in this presentation are not to be considered all inclusive, but they do take into consideration the public's concern about teacher pay being linked to job performance. The knowledge and skills, student achievement and appraisal and the nature of incentives sections of the presentation intend to review the complexity of the task facing political leaders and others as they attempt to develop performance-based compensation plans designed to bring about education reform. What on the surface appears to be a fairly easy task is, in reality, filled with a number of difficult problems. It is far too early to predict the format of many of these plans or to forecast the outcome of these efforts. One of the authors read a political columnist a number of years ago who maintained that public problem solving goes through four steps. The first is to deny that a problem exists. The second is that when the problem no longer can be denied, determine who is blame. Once the blame game is done, devise a quick-dirty fix. When this solution proves to be inadequate, begin a serious approach to solving the problem. Let us hope that this scenario can be avoided in regard to any state or local school district performance-based compensation plans. Let us move to step four quickly and to realistically deal with the complexities of the problem at hand.

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**APPENDIX A**  
**DOUGLAS COUNTY PERFORMANCE PAY COMPENSATION PLAN**

**1999-2000 PROJECTED PERFORMANCE PAY STATISTICS  
FOR  
DOUGLAS COUNTY COLORADO**

<u>Pay Component</u>	<u>N</u>	<u>Average</u>	<u>Total Dollars</u>
General Pay	2081	\$39,284	\$74,988,815
Unsatisfactory Evals.	36		
Outstanding Teacher	218	\$1,000	\$214,096
Skill Blocks	550	\$300-\$500	\$163,540
Site Responsibility	43*	\$5.50/student	\$180,458
District Responsibility	60	\$719	\$43,165
Group Incentive	36**	\$401	<u>\$503,178</u>
			\$76,093,252

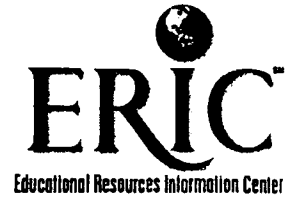
\*N= Number of School Sites Eligible

\*\*N= Number of Groups

**Recently the Douglas County School District expanded the Outstanding Teacher Category to four options and created a new category called Master Teacher (\$2,500).**



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