

## Getting More Bang for CFE Bucks

by Jay Greene

The *Campaign for Fiscal Equity* decision ordering more than \$5 billion a year in additional spending on New York City schools is likely to have little effect on student achievement in the city. Because lack of money is not a primary explanation for the city's low student performance, additional money by itself will do little to improve the situation.

Pending an agreed-upon state response or appeal of Justice Degrasse's latest order, the case will surely result in some level of increased spending on New York City public schools. The challenge for state officials is to ensure these new expenditures yield better results than those produced by previous spending increases. The best way to do this is to impose on educators the kind of accountability that is imposed on other professions. And the best way to do that is by implementing a system of teacher-merit pay.

The fatal flaw in previous increases was that spending was never made significantly dependent on performance. Money was provided for buildings, teachers and administrators regardless of how they served their students. Perversely, schools were actually in a stronger position to demand spending increases the worse their students performed. The *CFE* decision itself proves the point.

### What doesn't work

A system that financially rewards failure is far more likely to produce failure. New York's schools need a system that provides financial incentives for success. Yet if we look at how teachers are compensated, we see a complete absence of financial incentives for teachers to improve student achievement. Instead, teachers are paid more for possessing credentials, such as advanced degrees, and for having taught for more years.

But do teachers with advanced degrees actually produce better results in the classroom? Research suggests the answer is no. Consider:

- Based on a review of 171 scientifically valid studies, Eric Hanushek of Stanford University found the pattern of results indicated no relationship between teacher credentials and student achievement.<sup>1</sup> Another recent review of the research literature by the Abbell Foundation similarly found no relationship between teachers holding education masters degrees and student achievement.<sup>2</sup>

- Rivkin, Hanushek, and Kain analyzed several years of Texas data and found that advanced degrees had no effect on student achievement.<sup>3</sup>

- Two separate analyses of data from the National Assessment of Educational Progress (NAEP) by Wenglinsky<sup>4</sup> and Grissmer<sup>5</sup> both found that master's degrees did not improve student performance.

The evidence for experience-based pay is also weak. For example, Dan Goldhaber's research for the Urban Institute found that "only about 3 percent of the contribution

- Rewarding failure will only lead to more failure.
- Paying teachers on the basis of credentials and experience doesn't lead to better pupil performance.
- CFE money should be used to reward success — by financing a new system of merit pay for teachers.

*continued on back*

EMPIRE



CENTER

FOR NEW YORK STATE POLICY

A project of the  
Manhattan Institute for Policy Research

teachers made to student learning was associated with teacher experience, degree attained, and other readily observable characteristics" combined.<sup>6</sup>

Some of the studies cited here indicate that teachers do get a little more effective in their first few years in the classroom, but not thereafter. If burn-out becomes a factor, they may, in fact, get *less* effective.

### Moving to merit pay

The bottom line is that the research literature clearly does not support the method by which teachers are now paid in New York. What we need is a system that aligns the compensation of teachers and administrators with student success. The more that educators improve student learning the more they should get paid. This can be accomplished by offering bonuses that are linked to gains in student learning.

Such a merit-based system is not only in keeping with common sense, but is also supported by a growing body of research.

For example, Thomas Dee and Benjamin Keys at Swarthmore analyzed a merit pay system implemented in Tennessee at the same time as that state conducted the Project STAR class-size experiment (which was heavily cited in Justice DeGrasse's decision).<sup>7</sup> Using a high-quality random assignment design, they found that the merit pay system increased student achievement by about 3 percentile points in math and 2 percentile points in reading, although the reading sample was too small to be statistically significant.

Dee and Keys concluded that the benefit of having a teacher in the merit pay system was "equal [to] 40 to 60 percent of the estimated gains associated with assignment to a small class. Furthermore, these gains are approximately equivalent to a third of the corresponding black-white gap in test scores." Two studies of a merit pay program in South Carolina come to similarly positive conclusions.<sup>8</sup>

If the benefits of Tennessee's merit pay system were about half as large as reducing class size, why not just reduce class size? The answer is that reducing class size costs a whole lot more. A one-third reduction in class size, as was done in Tennessee, roughly requires one-third more classrooms, one-third more teachers and, therefore, a one-third increase in expenditures. Merit pay costs only a fraction of that.

On a dollar-per-dollar basis, the city can do more to improve learning with merit pay. No one should cite the Tennessee results as support for smaller class sizes without also being willing to embrace the merit pay results from the same random-assignment data.

### The role of testing

Others might object that a merit pay system -- linked to increases in student achievement, as measured by test scores -- will only produce "teaching to the test," cheat-

ing, or other manipulations of the results. The greater the consequences of a testing system for educators, this argument runs, the less reliable and meaningful the test results will be.

While this may sound plausible, it is not consistent with the evidence. As detailed in a Manhattan Institute study published last year in the *Teachers College Record*, attaching stakes to test results does not undermine the reliability of those results.<sup>9</sup>

Finally -- and this is important -- paying teachers more for being better teachers does not mean that teachers are bad people, who only care about kids when they are paid to do so. Most teachers, like most people, care about kids, and want to do well in their jobs. But, also like most people, teachers are likely to do a better job if they are rewarded for doing so. Rewarding excellent teachers helps attract and retain them. Denying automatic pay increases for unsuccessful teachers may also have the benefit of encouraging those less capable teachers to leave the profession.

Most skilled professions link pay to performance. It is time that we do the same in education. If New York must spend significantly more money on its existing public schools, using the money to fund a meaningful merit pay system is one of the most promising options imaginable.

---

*Jay Greene is senior fellow at the Education Resource Office of the Manhattan Institute's Center for Civic Innovation.*

---

1) Hanushek, Eric A. "School Resources and Student Performance." In Gary Burtless, Ed. *Does Money Matter*. Brookings Institution Press, Washington, D.C., 1996.

2) Teacher Certification Reconsidered: Stumbling for Quality, Abell Foundation, 2001

3) Steven G. Rivkin, Eric A. Hanushek, and John F. Kain, "Teachers, Schools and Academic Achievement," unpublished paper, April, 2000. The study examined year-to-year gains in student achievement.

4) Harold Wenglinsky, "How Teaching Matters: Bringing the Classroom Back Into Discussions of Teacher Quality," Educational Testing Service, 2000.

5) David W. Grissmer, Ann Flanagan, Jennifer Kawata, and Stephanie Williamson, *Improving Student Achievement: What State NAEP Test Scores Tell Us*, RAND Corporation, 2000.

6) Dan Goldhaber, "The Mystery of Good Teaching," *Education Next*, Spring 2002.

7) Thomas S. Dee and Benjamin J. Keys, "Dollars and Sense" *Education Next*, Winter 2004.

8) Samuel T. Cooper and Elchanan Cohn, "Estimation of a Frontier Production Function for the South Carolina Educational Process" *Economics of Education*, Vol. 16 No. 3, pp. 313-327. 1997 and C.E. Richards and T.M. Sheu, "The South Carolina School Incentive Reward Program: A Policy Analysis" *Economics of Education Review*, 11, pp. 71-86. 1992.

9) Jay P. Greene, Marcus A. Winters, and Greg Forster, "Testing High Stakes Tests: Can We Believe the Results of Accountability Tests?" *Teachers College Record*, Volume 106, Number 6. June 2004.