

## *Meeting the Turnaround Challenge*

Strategies, Resources & Tools to transform a framework into practice

---

# Teacher Pay-for-Performance in School Turnaround

How bonuses and differentiated pay scales can help support school turnaround

---

### Why Teachers and Teaching Matters?

The quality of teaching is one of the most important variables in education. While definitions of teacher quality vary, student achievement provides one valuable measure of assessing effective teaching. In several notable studies, Rivkin and Hanushek (2004) found that students who were taught by successful teachers for several consecutive years in a row experienced significant gains in achievement.<sup>i</sup> Focusing on teacher quality is also important from a fiscal standpoint. Teacher salaries are the single largest educational expenditure in education, often accounting for 60-80% of a school's budget. It is critical, therefore, that such an investment be spent wisely.

Given the importance of teachers and teaching, significant evidence suggests that, on average, low-performing schools experience higher rates of teacher turnover, difficulty in retaining the most effective teachers, and shortages in high-need subject areas such as math, science, and special education.<sup>ii</sup> In most systems, no incentives exist for master teachers to take on additional responsibilities, or for qualified teachers to receive additional bonuses or extra pay for working in high-need schools.

“By our estimates from Texas schools, having an above average teacher for five years in a row can completely close the average gap between low-income students and others.”

*-Rivkin and Hanushek, 2004*

### Teacher Quality and Turnaround

Traditionally, excellent teachers have worked in pockets of isolation within low-performing schools and systems. Often such high-performing teachers burn out or move to a school where excellence is valued.<sup>iii</sup> Simply recruiting more highly-skilled teachers will not, in and of itself, effectively turnaround low-performing schools. Instead, schools and systems engaged in

meaningful turnaround must re-think the entire system and structure of teacher compensation in order to create a new culture that rewards and incentivizes excellence. While this memo focuses on the potential of increased and differentiated compensation, it is important to note that retaining excellence in teaching will also require improving working conditions, having supportive administrators in place, and providing opportunities for teacher leadership and high-quality professional development.

“Low-income, low-achieving, and minority students find themselves in classrooms with many of the least skilled teachers.”

-Lanckford, Loeb, Wycoff, 2002

Additional pay can increase the odds of attracting and retaining the highly talented, driven, and motivated teachers and leaders needed for a successful turnaround. Pay incentives can be used to compensate for the longer hours required in a school turnaround environment as well as to reward teachers for performance.

School turnarounds also represent an opportunity to pursue pay reforms that are, in non-turnaround situations, difficult or impossible to advance due to political opposition.

Teacher and principal organizations tend to oppose tinkering with the standard steps-and-lanes approach to pay, which rewards educators for accumulating years of service (steps) and the attainment of graduate degrees (lanes). Significant pay change requires either (a) recognizing “winners” and “losers,” which might provoke resistance from those uncertain of faring well, or (b) infusing a lot of new dollars to hold everyone harmless, which is often financially impossible or at least unpopular among those who hold the purse. As a result, statewide or district-wide pay changes tend to be incremental and marginal in amount and effect.

State and district leaders have a much better chance of achieving significant pay reform in the specific context of turnarounds where partner organizations and charter management organizations sign performance contracts for a 3-5 year period. Staffing arrangements at school management organizations are not obligated to be consistent with district schools and have the latitude to create pay scales, bonuses, and pay structures outside the district norm.

### **How to Structure “Pay for Contribution”**

In a policy paper authored for the National Governor’s Association (NGA) in 2008, Hassel et al. argue for a new system of “pay for contribution” for teachers.<sup>iv</sup> Pay for contribution involves rewarding school staff for their relative contribution to student learning, through both value-added analysis and evaluation of performance. Value-added analysis is a statistical method of calculating the impact of a given teacher on student performance, holding all other variables constant.

Hassel et al. identified several components of a Pay-for-Contribution system including:

- **Hard-to-staff school/skill shortage pay:** additional compensation for educators who work in high-poverty schools, and additional compensation to attract teachers in shortage areas such as math, science, and special education;
- **Performance pay:** significant bonus pay to educators for gains in student learning results, measured at the individual, small team or school-wide level;
- **Retention pay:** significant one-time pay boosts after the early years of teaching in order to retain higher performers; and,
- **Advanced role pay:** additional compensation for advanced or “master” teaching roles, including teacher-leader roles, that contribute measurably to student learning.

### Hard-to-Staff/Skill Shortage Pay

Many turnaround schools are, by definition, “hard to staff” schools with high teacher turnover, difficulty retaining the best teachers, and shortages in certain subject matters. To address such challenges, a turnaround employer need not adopt a one-size-fits-all or permanent pay plan. Indeed, cross sector research indicates that in most sectors, hard-to-staff pay is used flexibly to address changing labor market conditions and performance goals of the organization.<sup>v</sup>

The revised compensation system for turnarounds could involve straightforward pay-add-ons for agreeing to teach in a turnaround school. These could take the form of one-time bonuses for coming to a turnaround school, and/or an overall higher salary scale for turnaround schools. For example, a teacher with X years of experience and Y credentials could earn more working in a turnaround school than she would earn working in another school within the district or state.

Between 2004 and 2008, Miami-Dade County’s “School Improvement Zone” adopted such an approach, paying teachers additional pay for additional time to work in hard-to-staff “Zone” schools.

**Hard-to-Staff Pay**  
**Miami-Dade County’s “School Improvement Zone” 2004-2008\***

**Who:** Teachers and Principals Recruited from Across the District  
**What:** Additional Compensation for Additional Time  
**Where:** 39 Lowest-Performing Schools

\* Note: Budgetary constraints and district deficits, in combination with the end of the pilot status, led to the demise of the Zone in 2008.

Skill shortage pay could also be structured like hard-to-staff pay with across-the-board pay increases for teachers in certain subjects or subjects of particular importance/focus to the school.

Some key questions to be resolved by districts, states, and providers offering hard-to-staff and skill shortage pay include:

- **Size of Pay.** Research suggests that to attract educators to the toughest schools, the financial incentives will have to be large, perhaps as much as a 20-50% increase.<sup>vi</sup> A pay opportunity of 10 – 30% would be consistent with bonuses and incentives used in other sectors.<sup>vii</sup> Small increments (e.g., two or three thousand dollars) appear unlikely to change the decision-making of most educators.
- **Nature of the Pay Supplement.** How should hard-to-staff pay be designed? Since turnaround schools will typically have longer school days and/or years, the extra pay could be thought of as “extra pay for extra time.” So, a turnaround school with 20% more learning time over the course of the year might opt to pay its staff 20% more than prevailing rates.
- **Automatic vs. Performance or Retention Based.** Should extra pay be automatically granted or contingent on performance? There is little evidence that simply offering higher salaries, even considerably higher salaries, can by itself transform the human capital attracted to a school but rather that extra pay should be devoted to performance-based bonuses/pay increases, to retention bonuses/pay increases to retain the best educators, or a combination of both should be used.

## Performance Pay

Performance pay is typically a more controversial policy than other forms of incentives for teachers because it creates differential pay scales for teachers who have equal years of experience and education. Performance pay can be used to attract a high-achieving, results-oriented workforce to a turnaround school where future employees know that their hard work will lead to greater reward. Evidence suggests that such a system will help attract and retain a higher caliber set of candidates in the first place, while also increasing the motivation of all employees on the campus.<sup>viii</sup>

Performance-based pay might also be more attractive to those concerned about the financial costs of across-the-board salary increases (hard-to-staff pay, etc). Bonuses enable employers to enhance pay in the short term without making a long-term commitment that is untenable. This allows nimble pay changes when more or less funding is available, when the labor market shifts, and when the performance priorities of the school change.

There are many design issues surrounding performance pay. Some of the most salient for the turnaround context include:

- **Size of bonus:** As with hard-to-staff pay, it appears unlikely that small bonuses (e.g., two to three thousand dollars) will have the recruitment and performance-enhancing results that turnaround schools need.
- **Aligning metrics with goals:** In a turnaround setting, performance pay should be aligned directly with the specific goals for a given school year. For example, one year, a school might decide to focus on raising fourth grade reading scores to a given level. Since such targets change from year to year and vary by school (and even department or grade), a one-size-fits-all performance pay plan may not be ideal for a cluster of turnaround schools. The clearer the targets and metrics are for success, the more effective the performance pay system will be.
- **Rewarding individuals v. teams:** Performance pay can be based on an individual's performance, a team or department's performance, or an entire school's performance. The decision on how to award the performance pay should be based on the priorities and strategies identified in the turnaround school. If, for example, the school is structured around team teaching or Small Learning Communities, a team-based reward system makes sense and a purely individual reward system could undermine the desired collaboration. However, if the school focus is more on individual performance, than individual rewards would best align with the turnaround strategy.
- **Whom to include:** Turnaround employers will need to decide which teacher and leader roles to include in performance pay opportunities. Some schools may value certain subjects more, particularly during the early turnaround phase, and some schools may choose to offer a larger performance bonus opportunity to people in roles that directly affect these subjects. Some schools might focus bonuses primarily on leadership while others will direct attention to teacher performance.

In 2008, the Denver Public Schools, through the ProComp system, developed a pay-for-contribution system that includes performance pay as one of the several methods of differentiating pay scales and structures. ProComp also provides incentives for those working at top-performing, high-growth, hard-to-staff, and hard-to-serve schools. Incentives are also available for teachers and principals who complete additional professional development units. The following box describes the pay-for-performance component of ProComp.

## **Performance Pay Denver Public Schools ProComp System**

**Who:** All full-time teachers/specialists in DPS are eligible

**What:** Teachers/specialists will set two annual Student Growth Objectives. Those who meet both of their annual objectives will receive a base building increase of 1% Index. Teachers who meet one objective will receive a 1% of Index non-base building incentive. Teachers who do not meet either objective will receive no increase.

### **Retention and Advanced Roles Pay**

School turnaround will inevitably lead to a certain level of staff turnover and attrition. Facing a new culture and, in many cases, new and higher expectations, some staff will seek to transfer out of the school. District and turnaround partners should provide support and assistance for those who seek transfers and re-assignments. While some natural attrition in the wake of turnaround is to be expected and encouraged, many turnaround schools also suffer from high turnover and attrition of highly desirable teachers. As teachers gain experience and seniority in low-performing schools, they often gravitate to schools with better working conditions and greater support. A key challenge for turnaround leaders is to find ways to retain a higher proportion of effective teachers in these schools.

One way to facilitate “good” attrition and dampen “bad” attrition is to offer varied raises, as opposed to raises on a set scale. A turnaround leader or cluster leader could have a “raise pool” that would enable average raises of 5%, for example, but higher raises could be offered to staff who are especially valuable to the turnaround effort and who, in the judgment of the leadership, may leave the school without additional carrots to encourage them to stay. Not only would this kind of *retention pay* help induce those staff to stay; it may also encourage the less-committed or capable teachers to seek a transfer out of the school.

High-performing employees are also differentiated by a desire for career advancement. They want the opportunity to move on to new challenges and roles that take their professional lives to the next level. Another way to retain high-performing teachers and principals is to provide *advance role pay* for positions requiring additional responsibilities and skills. Such roles could include: mentoring new teachers, leading professional development, and engaging in planning, curriculum development, and other leadership activities.

The possibilities for advanced roles are potentially heightened in the context of a turnaround “cluster.” Employers can think about retaining a valued teacher not necessarily within a particular school, but within the cluster of schools. Honing their craft in different contexts, or

playing a role in multiple schools, could be part of the attractive package a turnaround offers to teachers who meet high standards.

## **Conclusion**

Given the importance of good teaching and leadership for school success, turnaround schools should think carefully about how to structure professional environments that reward and motivate excellence. A system of “Pay-for-Contribution” that includes tools such as hard-to-staff and skill shortage pay, performance pay, and/or retention pay, will help attract and retain the type of human capital needed for successful turnarounds.

Turnaround schools and clusters provide a perfect setting to implement innovative, non-traditional approaches to teacher and principal compensation. The flexible operating conditions of turnaround schools will allow such pay-for contribution methods to be incubated and, if successful, implemented more widely in other schools and systems.

## For More Information on School Turnaround Strategies

- This document is part of a Research & Development process led by Mass Insight and various partners .
- This series of tools, strategies and reports was developed from a year of research & development on school turnaround strategies. The goal of this R&D effort was to figure out how to “operationalize” the framework from the 2007 report, *The Turnaround Challenge*.
- The resulting series of documents from this R&D work includes:
  - Executive Summary
  - Report I: Partnership Zones: Using school turnaround as the entry point for real reform – and reinventing the district model in the process
  - Report II: A New Partnership Paradigm for Public Education
  - Compilation of dozens of other tools, templates and resources to help implement a turnaround strategy
- The Research & Development resources were generously funded by the Bill & Melinda Gates Foundation.

For more information on *The Turnaround Challenge*, please visit our website at [www.massinsight.org](http://www.massinsight.org) or contact us at [turnaround@massinsight.org](mailto:turnaround@massinsight.org).

*Turnaround is a dramatic and comprehensive intervention in a low-performing school that a) produces significant gains in achievement within two years; and b) readies the school for the longer process of transformation into a high-performing organization. Successful turnaround requires strong partnerships and flexible operating conditions, and is best conducted across small clusters of schools in ways that can lead to whole-district redesign.*

18 Tremont Street, Suite 930 Boston, MA 02108

Telephone 617-778-1500 Fax 617-778-1505 [www.massinsight.org](http://www.massinsight.org)

Mass Insight Education and Research Institute is an independent 501(c) 3, nonprofit corporation

<sup>i</sup> Eric Hanushek and Steven G. Rivkin (2004). How to Improve the Supply of High Quality Teachers. In Diane Ravitch (Ed.), *Brookings Papers on Education Policy 2004* (pp. 7-25). Washington, DC: Brookings Institution Press.

<sup>ii</sup> Hamilton Lanckford, Susanna Loeb, James Wycoff, “Teacher Sorting and the Plight of Urban Schools,” *Education Evaluation and Policy Analysis*, Spring 2002, Vol. 24, No. 1 pp. 37-62.

<sup>iii</sup> Lanckford, Loeb, Wycoff, 2002

<sup>iv</sup> Emily Ayscue Hassel and Bryan C. Hassel, *Improving Teaching Through Pay for Contribution* (Washington, DC: NGA Center for Best Practices, 2007). Available: <http://www.nga.org/Files/pdf/0711improvingteaching.pdf>. The list that follows excerpted from this publications, with small changes in wording and order.

<sup>v</sup> Julie Kowal, Brian Hassel and Emil Ayscoe Hassel, *Financial Incentives for Hard-to-Staff Positions*, The Center for American Progress, November 2008.

<sup>vi</sup> Hanushek, 2002.

<sup>vii</sup> Kowal, Hassel and Hassel, 2008.

<sup>viii</sup> Hasell and Hasell, 2007.