Merit or Performance-Based Pay: A Look at Teacher Compensation

By Richard C. Hunter, Ed.D.

President Obama has announced the availability of more than $4 billion in discretionary funds to reform the nation's K–12 education system. These funds are part of what Secretary of Education Arne Duncan calls the "Race to the Top" and are part of the economic stimulus legislation enacted shortly after the president took office in January 2009.

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This legislation requires states to establish more charter schools and to eliminate barriers to tying teacher pay to student test scores, thus permitting performance pay for teachers. California prohibits tying teacher pay to student academic performance and is ineligible to participate in the Obama program. The legislation also requires states to demonstrate increased school achievement results for students and teachers and to specify how they will work with other states to develop common academic assessment systems.

The Obama administration expects that most of the stimulus money will be used to plug the huge budget gap in state funding for public education and to protect teacher jobs. Secretary Duncan envisions that only 10–20 states will qualify for the funds and that these states will become models for educational innovation.

Governor Schwarzenegger has proposed educational reforms that will allow California to be eligible for the Obama administration funds. Specifically, he has asked the legislature to expand the number of charter schools, to permit tying merit pay for teachers to the academic performance of students, and to allow parents to transfer their children from low-performing schools. Some of these changes will not be popular with teachers, especially the large and politically influential California Teachers Association.

Dillion (2009) has reported efforts to unionize teachers in charter schools in California, Florida, Illinois, New York, and Oregon. Unionizing is being done in anticipation of states expanding the number of charter schools in response to the Race to the Top funding for public education.

Even though there are several requirements for the Obama funding, the primary focus here is on merit or performance pay systems for public school teachers. What systems have been used to compensate public school teachers in the United States? Are merit or performance-based teacher pay systems an entirely new educational reform strategy? What is the rationale, research, or experience that supports the enactment of such systems? Will the implementation of merit or performance-based pay systems result in improved student academic performance? These questions are discussed in this article.

Systems for Teacher Compensation

Stonge, Gareis, and Little (2006) stated that

> teacher quality matters; it's no doubt, individual, family, community, and other beyond-school factors dramatically affect student success. Nonetheless, of all the factors with influence on schools, teacher quality is among the most, if not the most, powerful variable affecting student achievement. Research and theory on motivation have carefully considered whether financial incentives are beneficial to productivity in the workplace. At some level, people do work because of the compensation they receive. (pp. 1, 3)

A number of systems have been used to compensate teachers, including the traditional experience- and education-based salary schedule. Other forms of teacher pay are career ladders, extra-duty pay, incentive pay, and of course merit pay or performance-based pay. In the United States, most public school teachers are compensated under the experience- and education-based salary schedule. This system pays teachers higher salaries for years of experience and additional courses taken and degrees earned, regardless of their performance in the classroom.

Merit or performance-based pay systems are relatively new and have been resisted by teachers unions.

Career ladder systems pay teachers differentially based on their status, thus teachers who are identified as master teachers receive higher salaries. Correspondingly, teachers who have been designated as beginning teachers receive lower compensation. Criteria for these designations are unclear, are often very subjective, and are usually not based directly on the academic performance of students.

Extra-duty pay systems have been created to compensate teachers for additional responsibilities, such as coaching and leading various student activity programs. These responsibilities are not usually based directly on the academic performance of students (Brandt 1990). Brandt and Ganander (1987) stated:

> By way of contrast, at least four of the eleven incentive pay programs in Virginia are barely selective at all, that is extra pay is not restricted to those who teach best but is given instead to a relatively high percentage of all teachers, 96 percent of all teachers in the two systems who meet other eligibility requirements on other factors. (p. 150)

Merit or performance-based pay systems are relatively new and have been resisted by teachers unions. Bacharach, Lipsky, and Shedd (1984) define merit pay as

> a compensation system that links the salaries of individual teachers to the evaluation of their performance and generally ties salaries to assessments of the form and content of a teacher's activities in the classroom, while new style merit pay system ties salaries to student scores on standardized tests. (p. 2)

Arguments For and Against

A number of arguments favor merit or performance-based pay systems for teachers. Some believe that linking rewards to student academic assessments will increase teacher motivation and performance. It could also give principals and other administrators an opportunity to exercise strong leadership control over teachers.

Proponents of these systems also maintain that excellent teachers will remain in the classroom because of greater economic rewards. Also, some maintain that merit pay or performance-based systems will allow a higher caliber of recruits to enter the teaching profession.

Of course, there are arguments against merit or performance-based pay systems. Extrinsic rewards can harm performance, especially when teachers adopt an instrumental orientation toward their work with students. Because of this orientation, intrinsic motivation becomes less important and high teacher performance based on more important values is lost. The difficulty of coming up with effective ways to measure teacher performance is also used as an argument against merit or performance-based systems (Bacharach, Lipsky, and Shedd 1984).

Richmond Public Schools Merit Award Program

As a division superintendent of a large public school district in Virginia, I was charged by the Richmond School Board to develop and implement a merit pay program for teachers and other school employees. The teachers union opposed the implementation of this program.

In spite of that opposition, it was successfully implemented during my tenure with the district. Virginia is a right-to-work state and operates without collective-bargaining agreements with public school employees.

The program, which was called the Richmond Public Schools Merit Award Program, was developed by a district planning committee of teachers, principals, central office administrators, and parents with children in the district. There were several criteria given in the charge to the planning committee.

The program was to be designed to address the problem of subjectivity associated with many teacher merit pay programs. In these programs, teachers are often awarded merit salary increases based on the subjective evaluations of building principals.

The program would support the six broad goals of the Richmond School Board (Hunter 1985, pp. 131–33):

1. To continue the present pattern of increased student achievement;
2. To prepare each pupil to assume a productive role in a technological society;
3. To attract and retain personnel of the highest professional and personal qualities and compensate them commensurate with superior performance;
4. To improve the leadership effectiveness of the Richmond School Board, administrators, and staff toward the fulfillment of their respective duties and responsibilities with the division;
5. Establish a systematic process and procedure for general oversight of the achievement of the division's goals and objectives; and
6. Elevate and enhance community confidence in the Richmond Public Schools.

In addition to these six broad goals, there were 33 enabling objectives designed to give greater clarity and focus on the school board and administration's work on behalf of the students.

Two of the enabling objectives listed under goal 1 are as follows:

- By the spring of 1989, elementary school students will attain the seventy-fifth percentile as measured by the SRA composite reading and mathematics mean score, computed against the national sample average.
- By the spring of 1989, secondary school students will attain the sixtieth percentile as measured by the SRA composite reading and mathematics mean score, computed against the national sample average.

Two of the enabling objectives listed under goal 3 are as follows:

- Review and improve all staff performance appraisal and compensation procedures, and
- Expand the employee merit program to employees not working in schools.

The program was also to be designed to foster team building and avoid pitting faculty and other employees in school buildings against one another; to create a more positive school culture in each building; and to foster parent and student involvement in the success of the school. The recommended merit awards were to be large enough to interest schools to work for them. Schools could win more than once. And the school board would make annual appropriations sufficient to pay bonuses to faculty and staffs.

There were two parts to the Richmond Public Schools Merit Award Program; both focused on schools.

EMPLOYEE MERIT PROGRAM

The first part was an employee performance-based pay program in which all school building faculty, support staff, and administrators were eligible to receive a merit salary bonus through their assigned buildings.

Eligibility for the bonuses required school performance to increase over the previous year more than other similar schools. Schools were judged against themselves. Those who made the greatest average gain on the crite-

ria, which were developed to support the district's goals and enabling objectives, received an award. The system promoted teamwork from the entire faculty, administration, and staff in each school building.

Baseline statistics were established and yearly pre- and post-data were collected on each school. Schools were grouped by level, that is, elementary, middle, and high school. Since the number of buildings in each level differed, special schools were placed with various levels to achieve a better balance. The grouping of schools was constructed to make it equally possible for every school to win. Schools were given cash bonus awards based on the place they earned. The same percentage cash bonus was applied to the base salary of all faculty and staff in the school. So higher salaried personnel received larger bonuses.

For each place, the bonus percentage varied. The higher the school placed, the greater the bonus. Schools that won a first-place award were given a one-time 7% pay bonus. For second place, it was 5%, and for third, it was 3%. Elementary schools were given more places to win because more schools were competing for the awards in their category.

SCHOOL MERIT PROGRAM

In addition to the cash merit award bonuses for faculty and staff in individual winning schools, schools received a cash lump sum based on where they ranked and the number of students in the school. First-place schools were given an additional $7 per student; second-place schools received $5; and third-place schools received $3.

Schools were required to have a school committee of parents, teachers, administrators, and students. The committees met and developed a plan for spending the merit funds. There were some restrictions on how these funds could be spent (e.g., parties were not permitted). This component allowed students and parents to participate in the school's success.

OBSERVATIONS

The Richmond Public Schools Merit Award Program operated for several years during my tenure as superintendent. The program was very successful as evidenced by the huge attendance at school board meetings, when the annual winners were announced. These meetings had to be conducted in facilities large enough to accommodate the crowds that attended. And the enthusiasm of the audience during the announcements was palpable.

The plan helped the district make progress on implementing the goals and enabling the school board's objectives. Academic student achievement and attendance went up each year, and progress was made on most of the school board's goals and enabling objectives.

Decisions about the merit awards were based on objective criteria. No one challenged who won because the system was fair and objective and was perceived as such. The only issue about the program was raised by employees who were ineligible and wanted the program expanded to include them. These were central office employees who were not school based.

The design and implementation of the program fostered team building and did not pit school building employees against one another; all the employees in the winning schools were compensated equally regardless of classification.

The program helped the principals create a positive school culture and increase efforts on school improvement. Principals reported that teachers and other school employees would encourage one another to do a better job with students.

Parent and community involvement dramatically increased due to program evaluation criteria directed at increased parent involvement. Data on parent and community involvement were tracked as part of the program. Increases in parent involvement were most evident in secondary schools.

The school board made annual appropriations of funds sufficient to pay the maximum bonuses to the largest combination of schools. Thus, the program was never short of funds.

The school award component gave parents and students a specific reason to support the goals of the school board and to work for school improvement. Parenthetically, parents participated in the open process to develop the school board goals.

Additional Examples of Merit or Performance-Based Pay

There are several examples of merit or performance-based pay programs in public education in the United States. Many of them are located in southern states that have no employee collect-bargaining requirements, such as Tennessee.

According to Gonrig, Teske, and Jupp (2007), other public school districts are working to implement similar pay systems. Denver (Colorado) Public Schools is the recognized leader in merit or performance-based pay systems for public school teachers. Other school districts that have received grants from the federal government to implement teacher pay-for-performance systems include Chicago, Dallas, Houston, Memphis, and Philadelphia. And, Washington (D.C.) Public Schools are striving to implement a merit or pay-for-performance system for teachers (Thomas, Conant, and Wingert 2008).

Conclusion

There have been many strategies to reform public education in the United States. We are now led to believe that changing the paradigm on how teachers are compensated will improve academic achievement in public

education. As superintendent in Richmond, Virginia, I successfully implemented such a program. In that school district, student academic achievement increased annually for several years.

Perhaps as additional public school districts and states move to implement the requirements for Race to the Top funding for public education and other federal legislation that supports the development of merit or performance-based pay for teachers, student academic achievement will increase in public education.

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