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## Teacher Pay for Performance Gaining Ground

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*Teachers key to academic gains*

Despite measurable academic gains from education reform here, performance in key subject areas *and* among high-needs students has lagged stubbornly. With an eye toward achieving academic progress, a goal writ large by the federal No Child Left Behind Act (NCLB) of 2001, which focuses on historically disadvantaged students, policymakers are seeking ways to leverage higher returns on massive public investment in education. Teachers are the linchpins, research clearly shows. Because teacher pay represents the largest portion of the largest investment we make, how we compensate these public servants may offer the most leverage in our use of limited public resources. Though questions remain about how best to measure teacher quality, engender a culture in which it will thrive, and target its transformative powers at specific subjects and student needs, pay based on job performance is the focus of renewed interest and spreading experimentation.

*Use of incentive pay spreading*

A 2005 review by the Education Commission of the States found about 30 states offering incentives such as housing, loan forgiveness, bonuses, and salary increases to address geographic and subject-area teacher shortages.<sup>1</sup> Perhaps the most controversial and, arguably, the most reliable differential pay mechanism, however, is the value-added model (VAM), which statistically links individual teachers to students' test scores from year to year.<sup>2</sup>

*Experimentation underway in schools, districts, and states*

Linking teacher pay to student performance has gained significant momentum.<sup>3</sup> Last year, nearly half of the nation's governors raised the subject of paying teachers based on their performance.<sup>4</sup> Now, Congress is considering funding a bonus system under NCLB to reward teachers when student performance goes up.<sup>5</sup> Further, if passed, the federal All Students Can Achieve Act of 2007, which enjoys bipartisan support, would require states to create data systems that track student academic progress and link their performance to teachers. The bill would also authorize grants to school systems that reward teacher effectiveness and use incentives to lure the best teachers to the schools that need them most.<sup>6</sup>

Large metropolitan districts (Denver, Little Rock, Houston, and Nashville) are paving the way for new pay structures. The experiments have not been without critics. In Houston, publication of the names of teachers receiving bonuses ranging up to \$7,000 in early 2007 met with sharp criticism from teachers' unions. Based on test scores alone, most of the \$12 million in bonuses was federal money.<sup>7</sup> By contrast, Denver, an oft-cited exemplar, engaged teachers in the design of its pay structure from the outset, a move that researchers and proponents say is key to success and sustainability.<sup>8</sup> Based on the gains realized in its pilot project, Denver voters approved a \$25 million tax increase in 2005 to reward teachers for, among other things, demonstrated skills and student academic gains.<sup>9</sup>

*Why the change?*

California, Colorado, and Minnesota enacted legislation in 1995 to encourage school districts to innovate with teacher compensation. In 2005, Minnesota sweetened its incentives with an allocation of \$86 million in grants for districts to implement Q-Comp, an alternative compensation system that rewards added responsibilities, student performance, and specific skill development.<sup>10</sup> In Texas, a \$10 million pilot project was expanded tenfold this year to become the nation's largest incentive pay program, providing bonuses ranging from \$3,000 to \$10,000 for teachers in mostly low-income schools. A separate program rewards improved test scores.<sup>11</sup> Other states have pilot projects in the works.

Long regarded as the third rail for politicians who court the endorsement of teachers' unions that oppose performance-based pay, high-visibility test results and public frustration with anemic returns on costly reforms are likely catalysts for change. Researchers and stakeholders, including some who found merit pay experiments a failure,<sup>12</sup> have raised a chorus of support for change. Among them are a panel of exemplary teachers who con-



cluded in a 2007 report that the current “steps and lanes” pay structure based on tenure and coursework must change for the benefit of students.<sup>13</sup> A recent flurry of academic and policy papers assert similar conclusions. Public fear of global competition for *knowledge jobs* is also growing. A 2006 Educational Testing Service survey found that 64% of Americans believe a failure to reform our education system will compromise our ability to remain globally competitive over the next decade.<sup>14</sup>

The early cost of new pay structure experiments has been partially underwritten by an estimated \$80 million in U.S. Department of Education grants. Private foundations like the Milken Family Foundation, whose Teacher Advancement Program has been adopted in more than 40 school districts in about a dozen states, has also helped advance new approaches to pay and career enhancements.<sup>15</sup>

Demographic and occupational stresses are adding to the pressures on states and districts to make teaching a more attractive and rewarding profession. Some states are contending with a wave of baby boomer retirements by luring qualified teachers to high-needs schools and subject areas with one-time bonuses,<sup>16</sup> possible harbingers of broader competition between states. Some researchers believe that the profession is losing too high a percentage of its newest entrants, particularly those trained to teach mathematics or science.<sup>17</sup> Nationally, pre-K-12 enrollment has broken records since 1997, as the enrollment of Hispanic and other minority children has risen.<sup>18</sup> Here, K-12 enrollment has risen over the past 5 years by 2.7%.<sup>19</sup>

In Kentucky, about 14,000 teachers or roughly a third of the state’s teaching force is eligible for retirement based on age (55 or older) or years of service (27). Incentives to delay retirement, benefit education campaigns, and, likely, the mounting cost of health care for family, have helped forestall shortages and increased the average retirement age in recent years.<sup>20</sup> The average age of Kentucky teachers was 42 in 2006-07.<sup>21</sup>

Kentucky, like 21 other states, has a statewide salary schedule that sets minimum standards for compensation and extends raises across the board, without regard to merit.<sup>22</sup> Under the current pay structure, most teachers face a career of modest earnings, achieving high earnings only after a lifetime of work *or* after leaving the classrooms where they are most needed.<sup>23</sup> Teachers’ unions helped win historic reforms, but their efforts led to a “codification” of education practices<sup>24</sup> that may inhibit the flexibility needed to meet the needs of all students. Rigid compensation structures, many now argue, also hamper the efforts of school districts to recruit and retain teachers in critical and competitive fields *and* reward excellence.

A review of international studies found outcomes sufficiently positive to recommend further experimentation but not to prescribe pay structure design.<sup>25</sup> Early U.S. studies show similarly positive findings. A University of Arkansas study found a 3.5% improvement in math and science in Little Rock schools where teachers are paid incentives for academic gains.<sup>26</sup> Combining data from the National Education Longitudinal Survey and a 2000 survey on incentives, Florida economists found a link between test score gains and pay targeted at a few teachers, but “no association between test performance and indiscriminate merit pay.” The positive relationship was strongest in schools serving low-income populations.<sup>27</sup>

Despite the momentum for change and early findings of positive academic effects, performance-based pay faces the difficult challenge of changing a decades-old pay structure at a time when state funds are expected to dwindle and base salaries for teachers need to rise for the profession to remain competitive.

<sup>1</sup>Linda Jacobson, “Teacher Pay Incentives Popular But Unproven,” *Education Week* 27 Sept. 2006; <sup>2</sup>Henry I. Braun, “Using Student Progress to Evaluate Teachers: A Primer on Value-Added Models,” *Policy Information Perspective*, Educational Testing Service (ETS), Sept. 2005; <sup>3</sup>Sam Dillon, “Long Revisited, Merit Pay Gains Among Teachers,” *The New York Times* 18 June 2007; <sup>4</sup>Holly K. Hacker and Terrence Stutz, “Incentive Pay Enters Classroom,” *The Dallas Morning News* 12 June 2006; <sup>5</sup>AP, “Teacher Merit Pay Unpopular,” *Teacher Magazine* 5 July 2007; <sup>6</sup>Vaishali Honawar, “Merit Pay Gets Bipartisan Support,” *Teacher Magazine*, 26 July 2007; <sup>7</sup>Jessica L. Tonn, “Houston in Uproar Over Teachers’ Bonuses,” *Education Week* 1 Feb. 2007; <sup>8</sup>AP, “View of Merit Pay Shifting,” *Teacher* 27 Aug. 2007; <sup>9</sup>Susanna Loeb, Cecilia Rouse, and Anthony Shorris, “Introducing the Issue,” *The Future of Children* 17.1 (2007); <sup>10</sup>Education Commission of the States (ECS), “Incentive Pay/Bonus Programs,” *State Notes*, 20 March 2007; <sup>11</sup>Hacker and Stutz; <sup>12</sup>See Richard J. Murnane and David K. Cohen, “Merit Pay and the Evaluation Problem,” *Harvard Educational Review* 56 (1986); <sup>13</sup>Center for Teaching Quality, *Performance-Pay for Teachers: Designing a System that Students Deserve* (Hillsborough, NC: Center for Teaching Quality, 2007); <sup>14</sup>ETS, “Keeping Our Edge: Americans Speak on Education and Competitiveness,” 21 June 2006; <sup>15</sup>Milken Family Foundation, National Institute for Excellence in Teaching, Teacher Advancement Program <[www.talentedteachers.org/tap.taf](http://www.talentedteachers.org/tap.taf)>; <sup>16</sup>Dillon, “With Turnover High, Schools Fight for Teachers,” *The New York Times* 27 Aug. 2007; <sup>17</sup>See, for example, Dan Goldhaber, *Teacher Pay Reforms* (Washington: Center for American Progress, 2006); <sup>18</sup>Mary Ann Zehr, “Record Enrollment Is Projected, But Trend Varies by Geography,” *Education Week*, 27 Aug. 2007; <sup>19</sup>Lisa Gross, Kentucky Department of Education, e-mail, 5 Sept. 2007; <sup>20</sup>Robert Barnes, Kentucky Teachers’ Retirement System, personal interview, 31 Aug. 2007; <sup>21</sup>Terry Hibpsam, Kentucky Education Professional Standards Board, e-mail, 23 Aug. 2007; <sup>22</sup>ECS, “Teaching Quality/Compensation,” *State Notes*, July 2005; <sup>23</sup>Allan Odden and Carolyn Kelley, *Paying Teachers for What They Know and Do: New and Smarter Compensation Strategies to Improve Schools*, 2nd ed. (Thousand Oaks, CA: Corwin Press, 2002); <sup>24</sup>Leo Casey, “The Educational Value of Democratic Voice,” in Jane Hannaway and Andrew J. Rotherham, eds., *Collective Bargaining in Education* (Cambridge: Harvard Education Press, 2006) 181-201; <sup>25</sup>Michael J. Podgursky and Matthew G. Springer, “Teacher Performance Pay: A Review,” *Journal of Policy Analysis and Management* 26.4 (2007): 909-950; <sup>26</sup>Doug Thompson, “Merit Pay Data Encouraging, Lawmakers Told,” Arkansas News Bureau, 12 Sept. 2007; <sup>27</sup>David N. Figlio and Lawrence W. Kenny, “Individual Teacher Incentives and Student Performance,” *Journal of Public Economics* 91.5 (2007).