Merit Pay

Elizabeth Epstein, Michelle Herbon, Jennifer Koelling, & Jennifer Roberts

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Professor Jal Mehta

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Merit Pay

Merit pay was first introduced in 1908 in Newton, Massachusetts and substantially gained popularity in 1983 after the publication of *A Nation at Risk*, which recommended teachers' salaries be “professionally competitive, market-sensitive, and performance-based” (Protsik, 1995; *A Nation At Risk: Recommendations*, 1983). One goal of this recommendation was to tie compensation more directly to classroom skill. Merit pay has been used as an attempt to rectify the failings of the single-salary pay schedule, including the frustration that all teachers with the same educational level and experience are paid equally, despite potentially unequal performance and skills.

For this paper, we will be using the working definition of merit pay established by Murnane and Cohen (1985) who define merit pay as "a compensation scheme that bases individual teachers' compensation on their performance in teaching their students, as measured by either student test score gains or by supervisors’ evaluations of teacher actions in the classroom" (p. 2). This paper discusses four separate aspects of merit pay: history of the issue, merit pay programs (policy research), contemporary politics, and concludes with a final policy recommendation advocating for the integration of merit pay as part of larger compensation reform. To fully understand the complicated nuances of this issue and its contentious nature, an introduction to the context of the merit pay debate is necessary. The two sides to this topic can be summarized into the following main points.

Supporters of merit pay believe:

- Pay incentives will motivate teachers to work harder and produce better results.
- Our American capitalistic system thrives from valuing and rewarding effort and results, and therefore the same should work in schools.

- Merit pay will provide the incentive to attract young, college graduates.
- We should be open to trying anything that has the potential to make our schools better.

Opponents of merit pay plans argue:

- Collaboration between teachers would be compromised.
- There are no reliable ways to measure teacher and student success.
- Basing merit pay systems on high-stakes testing would lead to dishonesty.
- There are better ways to improve teacher quality and raise student achievement (K.C. Boles, personal communication, 2009, November 5).

In the 1980s and 1990s, many merit pay plans were tried across the country. Some included bonuses for excellent performance based on peer and supervisor review, while others were “career-ladder” programs and usually evaluated teachers based on individual student achievement. Teachers were not ultimately convinced however, that merit pay plans treated them as fairly as under the single-salary pay schedule. Furthermore, it was found that teachers in large numbers preferred the more equitable and non-controversial form of differentiated pay that provided “extra pay for extra work.” Finally, plans that tried to incentivize teaching through money did little to positively affect both student and teacher performance.

Despite these criticisms, we are now in an age of accountability, which seeks to link teacher performance to student outcomes. Therefore, a number of districts are currently experimenting with merit pay programs to reward successful teachers. These programs offer different incentives based on different standards and serve as examples of the variety of ways merit pay can be implemented. Using a merit pay framework presented by Johnson and Papay (2009), we review programs in Florida, Texas, and North Carolina.

For merit pay to work, a number of stakeholders' opinions must be considered.

Necessary to this process is union support and greater teacher collaboration in the merit pay programs' development. Given the historical dissatisfaction with compensation reform, merit pay should be part of a comprehensive compensation plan to best encourage, reward, and retain successful teachers. Furthermore, with Secretary of Education Arne Duncan's Race to the Top agenda, government backing for pay experiments suggests the time is right for restructuring the single-salary pay schedule for teachers and adapting new models to address traditional compensation concerns.

History of Merit Pay

History and Issues Surrounding the Single-Salary Pay Schedule

In 1921, Denver and Des Moines became the first cities in the United States to introduce the single-salary pay schedule to teachers, named so because all classroom teachers were paid on the same scale regardless of race, gender, family status, or grade level taught. The single-salary pay schedule was constructed from a matrix of experience in years and degree attainment. Appropriate pay for an individual teacher was determined by locating which cell the teacher corresponded to in terms of years of experience and degree credits he or she had earned (Protsik, 1995).

For nearly sixty years, the single-salary pay schedule was seen as the best way to provide both equity and objectivity to teacher pay. It ensured teachers would be paid for teaching in its own right and not according to discriminatory measures or grade level taught. Furthermore, it encouraged teachers to stay in the teaching profession and rewarded them for greater levels of educational attainment. Finally, it allowed unions to represent all members in collective bargaining agreements fairly and equally. In 1944, the National Education Association stated that any measures of teacher merit used to determine teacher salary under the single-salary schedule were unreliable. As a result, many cities followed the lead of Denver and Des Moines, and by 1950, 97% of cities had adopted the single-salary pay schedule (Protsik, 1995).

There are also many problems associated with the single-salary pay schedule. According to Richard Rothstein, one of the biggest concerns of the single-salary pay schedule is that it can reward teachers with course accumulation not explicitly relevant to teacher performance (personal communication, 2009, October 28). Furthermore, it prevents districts from using higher pay to attract teachers in shortage areas such as special education, math, and science, or lowering pay to reduce surplus in areas like general elementary education. In other words, Rothstein argues, districts are unable to use market-based forces of salary to control teacher supply (personal communication, 2009, October 28). Additionally, according to Professor Richard Murnane, research has shown there are no improvements in teaching quality or in student outcomes if a teacher has or has not obtained a Master's degree, so we cannot predict which teachers are better based on this system alone (personal communication, 2009, November 2). Finally, the single-salary pay schedule fails to provide teachers with incentives to improve their classroom skills because it treats all teachers with the same education level and experience as equals, despite potentially unequal performance and skills (Protsik, 1995).

Rise of Merit Pay

There were always those few who felt exceptional teachers should be rewarded accordingly. This opinion, coupled with the many concerns associated with the single-salary pay schedule, led to the popularity of merit pay programs starting in the 1980s. The first merit pay plan was attempted in 1908 in Newton, Massachusetts, but the 1980s represented the first time the nation as a whole called for teacher improvement through monetary incentives ((Protsik, 1995). In 1983, *A Nation at Risk* recommended teachers' salaries be "professionally competitive, market-sensitive, and performance-based" in order to tie compensation more directly to classroom skill (*A Nation At Risk: Recommendations*, 1983).

A wide variety of merit pay plans were tried all across the country through the 1980s and 1990s with varying degrees of success. Many awarded bonuses for excellent classroom performance, usually determined by supervisor and peer review, but some teachers felt that the awards were based on biased evaluations instead of objective assessments of performance. Murnane and Cohen refer to such plans in their 1985 article, "Merit Pay and the Evaluation Problem: Understanding Why Most Merit Pay Plans Fail and A Few Survive," as "old-style merit pay." Other plans were considered "career-ladder" programs in that they created career steps for teachers based on evaluations of teaching, years of experience, and usually individual student achievement (Cornett & Gaines, 2002). Murnane and Cohen (1985) refer to this as "new-style merit pay." A 1979 Educational Research Study found that most merit pay plans that were enacted during this time were discontinued within six years due to problems of administration and personnel, collective bargaining disputes, and budgetary shortfalls (as cited in Protsik, 1995).

Problems with Earlier Merit Pay Plans

The merit pay plans implemented and experimented with in the 1980s and 1990s tried to make teachers more accountable for individual student performance. Teachers were not genuinely convinced however, that these plans were better or more equitable than the single-salary pay schedule. Moreover, through numerous surveys and interviews, research documented that teachers in large numbers preferred differentiated pay that provided "extra pay for extra work" rather than being graded or scored in a performance assessment. Furthermore, an evaluation of older merit pay programs found that trying to incentivize teaching through money did little to improve student or teacher performance. It was instead suggested that compensation plans need teachers to take on differentiated roles and pay them on that basis (Cornett & Gaines, 2002).

Merit Pay Plans Today

In today's merit pay plans there is a shift away from individual teacher performance and student achievement to a system of school-by-school results and gains. As of 2005, twenty states across the United States have a school-based performance system in place or are in the process of implementing such a system (Johnson, 2006). According to Richard Rothstein however, there is no research-based evidence that merit pay will be successful in raising student achievement, especially if pay is tied directly to test scores. The techniques for identifying superior teachers based on test scores still have many problems, so attempts will potentially misidentify "better" and "worse" teachers. Additionally, because test scores are only available in reading and math, creating high-stakes for teachers may increase incentives to narrow curriculum both within and across subject areas (R. Rothstein, personal communication, 2009, October 28). Similarly, Richard Murnane also expressed reservation to basing compensation on school-wide performance due to the natural variation between and within classrooms. Since superintendents are under constant pressure from two opposing constituencies (the internal one of teachers and unions who usually oppose merit pay and the external one of tax payers who do not like to reward lousy teachers) if they insist on using performance-based compensation, Murnane argues that they must use at least three years of data for more accuracy (personal communication, 2009, November 2).

Merit Pay Programs: Policy Research

Despite this history of failure, there is reason to believe merit pay is a promising compensation reform. In 2003-2004, about eight percent of school districts were experimenting with merit pay nationwide (Strizek et al., 2006, as cited in Johnson & Papay, 2009). With current pressure from Race to the Top to explore merit pay as a method to improve teacher quality, this number is likely to increase dramatically as states compete for funding (de Nies, 2009). Race to the Top joins the Teacher Incentive Fund (TIF) as federal government programs currently encouraging merit pay across the nation. TIF was started in 2006 under the Bush administration to help start merit pay programs in high-need schools (U.S. Department of Education, 2008).

Merit Pay Framework

Merit pay programs supported by both Race to the Top and TIF vary widely. In this section, we consider three merit pay programs currently used in Florida, Texas, and North Carolina. To allow for comparison, each district is presented using a framework published by Susan Moore Johnson and John P. Papay (2009). When deciding to implement merit pay, the framework explains, districts answer three guiding questions. First, districts decide how to measure performance. Performance is usually measured using student achievement data, professional evaluations, or a mix of the two. Second, districts decide how to identify top performing teachers. In other words, what level of performance warrants a financial award? Districts may answer this question by either (1) ranking teachers and then establishing a threshold of performance, or (2) establishing a standard that must be met in order to earn the award. There are cases to be made for both techniques, but most merit pay systems currently rely on relative ranking rather than a standards-based sorting mechanism. Third, and finally, districts decide if they will reward individuals or groups, typically schools. Both methods are widely used across merit pay systems (Johnson and Papay, 2009). To visually organize this framework, Johnson and Papay (2009) offer this chart:

How to measure performance

How to identify top performers

	Student achievement	Professional evaluation	Mixed measures	
Relative Rankings				Individual
				Group
Standards-based				Individual
				Group

At what level to provide awards

Current Examples of Merit Pay Programs

With this framework in mind, we will consider three merit pay systems: Hillsborough Country, Florida; Houston, Texas; and Charlotte-Mecklenburg, North Carolina. This is not an exhaustive list of successful merit pay programs. These districts however, serve as examples of the variety in programs seen across the nation and are considered “prominent initiatives” by Johnson and Papay (2009).

Hillsborough County, Florida

Background: Hillsborough County is located in west-central Florida and includes the city of Tampa. Hillsborough County Public Schools (HCPS) serves approximately 192,000 students in 239 schools, making it the eighth largest district in the U.S. (Hillsborough, 2008). Interest in merit pay began in 2000 in HCPS, just a year before the Florida legislature passed E-Comp, a controversial, statewide merit pay system (Johnson & Papay, 2009). In 2006, STAR (Special

Teachers Are Rewarded), E-Comp's replacement, began requiring districts to use a merit pay plan. STAR, however, was quickly replaced by a more flexible merit pay system called Merit Award Program (MAP) in 2007. MAP made having a merit pay structure optional but provided additional state funding to participating districts (Florida, 2007).

Plans:

- **MAP** (Merit Award Program): MAP is a statewide initiative that provides districts with funding for a merit pay system. All teachers in the system are eligible for the award, and no application is required. Teachers are given awards based on a relative ranking, which is created with two criteria:
    - 40% of a teacher's rating is based on an annual evaluation
    - 60% of a teacher's rating is based on an "Effectiveness Score," which is calculated based on student achievement data (Hillsborough, 2008, November 26)
- **POWER** (Performance Outcomes with Effective Rewards): POWER is a Teacher Incentive Fund initiative that began in 2007 in 21 high needs schools in the district (Hillsborough, 2009). POWER serves as a supplement to MAP, and it evaluates teachers based on the same criteria. Teachers in high needs schools are eligible for an additional five percent POWER bonus, on top of their MAP bonus (Center, 2009).
- **TPP** (Teacher Performance Pay): Developed in 2001 with the support of teachers, union representatives, and administrators, TPP is the local merit pay program in Hillsborough County. Teachers are eligible for a five percent bonus based on a professional evaluation done by school principals. In order to earn the bonus, teachers must earn 95 percent of the possible points in the evaluation (Hillsborough, 2008, May 13).

Summary:

How to measure performance

How to identify top performers

	Student achievement	Professional evaluation	Mixed measures	
Relative Rankings			**MAP & POWER**	Individual
				Group
Standards-based		**TPP**		Individual
				Group

At what level to provide awards

Houston, Texas

Background: The Houston Independent School District (HISD) is the largest school district in Texas and the seventh largest in the nation. HISD serves 200,225 students in 296 schools (Houston, 2008b). Houston's merit pay program is a piece of a larger district initiative called ASPIRE (Acceleration Student Progress Increasing Results and Expectations) (Houston, 2009). The merit pay aspect of ASPIRE has five goals focused on teacher quality and improved student achievement (Houston, 2007). For performance in the 2007-2008 school year, HISD awarded over $30 million in merit pay bonuses to 87 percent of its employees (Houston, 2009, January 28). HISD receives additional funding for the ASPIRE initiative through the TIF (Center, 2009).

Plans:

- **ASPIRE, Strand I** (value-added, campus-wide involvement): Rewards in this strand are given at the campus, or school, level. All staff members are eligible for the award, and no application is necessary (Houston, 2007).

    - There are three steps to determine which schools receive awards:
        1. A "Campus Composite Gain Score" is calculated based on the value-added data for each school.
        2. Schools are separated into elementary, middle, and high schools.
        3. Schools in the top two quartiles of their group are awarded a bonus.
    - Teachers can earn bonuses up to $1,500 (Houston, 2008a).
- **ASPIRE, Strand II** (value-added, core teacher performance): Strand II awards are available to about 70 percent of the teachers in HISD.
    - Strand II is divided into four parts (A-D) depending on the subject and grade level a teacher is assigned to teach.
    - Awards are based on a relative ranking of a teacher's value-added score. Who a teacher is compared to depends on the grade level and subject he or she teaches.
    - Awards range from $3,500 to $7,000 (Houston, 2008a).
- **ASPIRE, Strand III** (campus involvement and achievement):
    - **Part A**: This part of Strand III rewards campuses based on a comparison of their student achievement gains with 40 other demographically similar campuses across the state. Schools in the top two quartiles can earn bonuses up to $1,000.
    - **Part B**: Teachers at schools who earn an "Exemplary" or "Recognized" district rating earn $200 to $400 bonuses.
    - **Part C**: English and language arts teachers in 4^{th} and 7^{th} grade and high school are eligible for a bonus based on students' writing scores. Part C can be determined using a relative ranking or standards-based criteria (Houston, 2008a).

Summary:

How to measure performance

How to identify top performers

At what level to provide awards

	Student achievement	Professional evaluation	Mixed measures	
Relative Rankings	**ASPIRE II & III A**			Individual
	ASPIRE I & III C			Group
Standards-based				Individual
	ASPIRE III B &C			Group

Charlotte – Mecklenburg, North Carolina

Background: Charlotte-Mecklenburg Schools (CMS) is the twentieth largest district in the country and currently serves about 132,000 students in the Charlotte metro area (Johnson & Papay, 2009). CMS first started experimenting with merit pay programs in the mid 1990's with merit pay for principals. The district has recently been piloting programs for individual teachers with the assistance of a TIF grant (Johnson & Papay, 2009).

Plans:

- **Local Accountability Bonus**: This program awards schools based on students' growth and change. The award is standards-based, and all schools can meet the requirements. Award amounts, however, depend on the number of schools who meet the standard and vary from year to year. Most staff members are eligible, but most notably, teachers with an unsatisfactory rating are excluded (Charlotte-Mecklenburg, 2008).

- **LEAP** (Leadership for Educators' Advanced Performance): This TIF initiative awards merit pay based on mixed measures to individual teachers. Teachers are eligible for a bonus worth up to ten percent of their base salary, and must complete two requirements:
    1. Teachers set "student learning objectives" that are later evaluated by standardized test scores and classroom data.
    2. Teachers must earn "very effective" ratings on their annual evaluations (Center, 2009).
- **North Carolina State ABCs of Public Education**: This statewide accountability system awards merit pay to schools based on change in student achievement (a different calculation than the one used in Local Accountability Bonus). Teachers are eligible for a $1,500 bonus if students meet Expected Growth standards (Public, 2009).

Summary:

How to measure performance

How to identify top performers (rows) / At what level to provide awards (right column)

	Student achievement	Professional evaluation	Mixed measures	
Relative Rankings				Individual
				Group
Standards-based	**ABC & Local Bonus**		**LEAP**	Individual
				Group

Policy Research Conclusion

These three districts provide examples of prominent merit pay programs, and exemplify that there is no "one size fits all" approach to merit pay. Even within districts, multiple programs exist and reward different sets of teachers for different accomplishments. The complexity of merit pay should not, however, deter districts from creating a merit pay program.

Throughout this section, we've used Johnson and Papay's (2009) merit pay framework to consider three programs. Johnson and Papay (2009) offer three guiding questions (how to identify top performers, how to measure performance, and at what level to provide awards) to help districts make specific decisions about merit pay design. The Consortium for Policy Research in Education (CPRE) offers districts guidance, however, on the step before design—cultivating support. CPRE's suggestions include securing stable funding, building strong evaluation systems, and gauging potential reactions of key stakeholders (Heneman, Milanowski, & Kimball, 2007). Susan Moore Johnson explains previous merit pay programs often failed because teachers did not view them as credible, and it was unclear what teachers could do to earn the awards (personal communication, October 30, 2009). CPRE urges districts to remember this history and ensure not only that teachers value the award, but also that teachers "recognize and understand the connection between performance and their pay" (Heneman, Milanowski, & Kimball, 2007, p. 6). Teachers in both Hillsborough County and Houston see establishing this connection as a struggle even in their more established programs (M. Snow, personal communication, 2009, November 9). As merit pay programs begin and evolve, they rely heavily on buy-in from many different players. This requires program designers to consider merit pay from all stakeholders' points of view.

Contemporary Politics

Merit pay has received considerable attention lately as a result of the many districts experimenting with compensation reform, as well as backing from President Barack Obama and the implications for more merit-pay experiments within Race to the Top. Furthermore, the Gates Foundation has recently decided to place greater focus on teacher quality and is investing half a billion dollars in several district proposals, including programs using merit pay to motivate teachers and schools (Blankinship, 2009). Nevertheless, despite this recent hype many stakeholders still have some reservations to using merit pay to improve teacher effectiveness and student performance.

Government Support

President Obama has repeatedly expressed his support for merit pay and plans to expand the budget for the Teacher Incentive Fund (TIF) from $97 million to around $483 million. Started under George W. Bush, TIF funding encourages experimentation with performance pay and has created great interest in merit pay—currently the grant program has more than 130 pending applications ("Best in Class," 2009). The Obama administration is also investing over $4 billion into the Race to the Top Fund (RTTT), developed by Education Secretary Arne Duncan, which requires states to allow for the use of student achievement data in the evaluation of teachers (de Nies, 2009). In order to be eligible for a federal grant, states such as California and Wisconsin have had to change laws that banned linking student test scores to teacher evaluations. Thus, this eligibility requirement provides the opportunity for further experimentation with merit pay programs by allowing districts previously restricted by state laws to link teacher compensation to student achievement.

Union Standpoint

Teachers' unions however, are concerned about the effects of RTTT on teacher salary structures. The American Federation of Teachers (AFT) and the National Education Association (NEA) are mainly concerned about performance pay programs that are not created collaboratively with input and support from teachers, and rely solely or predominantly on results from standardized tests (Sawchuk, 2009). Historically, the AFT and NEA have been opposed to alternative pay structures, but recently both parties have become more open to modifications to the single-salary pay schedule that bases pay on seniority and graduate-level credits. The AFT believes the decision to adopt a compensation system based on differentiated pay should be negotiated between union leaders and district officials. In addition, while the AFT rejects evaluating performance using a single test score, they are not opposed to including student achievement data in combination with other performance indicators (American Federation of Teachers, 2009). Similarly, the NEA is open to compensation innovations if they are agreed upon through collective bargaining, but unlike the AFT, the NEA is opposed to pay systems that are based even partially on students' test scores (National Education Association, 2009). As described by Marc Shaw, President of the Alum Rock Educator's Association and NEA affiliate, the reasoning behind this opposition is due to the many problems associated with linking pay to test scores:

> In my mind, what is merit pay going to achieve? What are the metrics going to be used to award it? Since test scores are a one time snapshot of a school's educational program, and the art of teaching is a whole year process which has multiple variables, how can we possibly narrow it down to a high stakes test score, when we know that is only a very small part of the teaching year (personal communication, 2009, November 10)?

Union apprehension over the use of student achievement data in compensation plans and how collaboratively new pay programs are developed, have proven to be important grounds for opposition to some merit pay proposals. The Washington Teachers' Union (WTU), an affiliate of the AFT, disagreed with D.C. Chancellor Michelle Rhee's plans for implementing merit pay.

Rhee's contract proposed the creation of two employment tiers for teachers. The "green" tier would require teachers to give up tenure for one year in exchange for the possibility of earning salaries as high as $130,000 through large merit pay bonuses. Teachers who voluntarily chose the green tier would also have to submit to an evaluation to keep their job, part of which would depend on raising students' test scores. Teachers who chose to remain in the traditional, single-salary pay schedule would be on the "red" track and retain tenure, but have a lower salary ceiling (Haynes, 2008). The WTU was not necessarily uncomfortable with the idea of merit pay, but believed such a system needed to be created with input from teachers and wanted assurance that teacher performance would be assessed using more than standardized test scores (Goldstein, 2009). These concerns, along with the implications the plan held for teachers' tenure rights, has stalled negotiations between the union and Rhee.

Opportunities for Change

Despite failings in Washington D.C. and general reservations about the implementation of performance pay systems, unions have shown shifting attitudes towards new compensation plans. Lately the AFT and its affiliates, under the leadership of new AFT President Randi Weingarten, have been more agreeable to school-wide performance pay plans than awarding individual teachers. In 2007 in New York City, when Weingarten presided over the United Federation of Teachers (UTF), she helped negotiate a deal which awarded money for school-wide gains in student achievement (Gootman, 2007). The deal between the UTF and Schools Chancellor Joel Klein was viewed as a significant turning point for collective bargaining and a promising display that unions can be accepting of school reform.

New Haven's new teacher contract has also been praised as a sign of change. U.S. Department of Education leaders and Weingarten, who again helped with negotiations, have hailed the new contract as a model for reform (Benton, 2009). The contract is being praised for its collaborative approach towards reform, including using student performance in teacher evaluations and a framework for school-wide performance pay. Teachers will be part of the committee that decides how much weight will be given to student achievement in teachers' evaluations and how performance bonuses will be distributed in improving schools ("The New Haven Model," 2009).

Weingarten and the AFT have shown further interest in reforming traditional compensation systems by supporting innovative models that redesign teacher pay. The AFT has recently issued a batch of grants to "promote successful teacher and union-led school-reform efforts taking place at the local level" (Goldstein, 2009, p.2). One grant, awarded to Broward Teachers Union in South Florida, will to be used to develop a new compensation plan that uses standardized test scores as one factor in determining pay ("Broward Teachers Union", 2009). Furthermore, Weingarten commended a plan for a new compensation system developed by Harvard Graduate School of Education researchers Susan Moore Johnson and John P. Papay. In *Redesigning Teacher Pay*, Johnson and Papay (2009) propose a pay structure consisting of four tiers and compensation levels tied to teacher expertise, effectiveness, and additional roles taken on outside of the classroom. The plan also incorporates performance bonuses for schools and other incentives aimed at drawing teachers to hard-to-staff subjects and schools (Viadero, 2009). Weingarten sees potential in the plan because of its comprehensive approach that highlights teacher leadership (Weingarten, 2009).

Denver is another example of shifting attitudes in the debate over merit pay. In 2006, the city implemented a performance pay plan called "ProComp" in a joint effort by district administrators and the teachers' union to recruit and retain quality teachers. The plan awards teachers for good evaluations and improving student achievement, as well as for graduate credits and teaching in schools and subjects with staffing shortages (Miner, 2009). It is possible that ProComp's relative success is because the plan was developed in conjunction with the teachers' union and is a comprehensive system that awards teachers for more than just higher test scores. Other states, such as Wisconsin, are interested in starting compensation plans similar to ProComp (Borsuk, 2009).

Systems such as Denver's, along with other districts interested in performance pay, the changing attitudes of union leaders, and government backing for pay experiments suggest that the time is ripe for restructuring the traditional single-salary pay schedule. While teachers may not agree with all plans, districts that incorporate teacher input and develop pay systems through a collaborative effort show the most promise for implementing reform.

Policy Analysis: Merit Pay… Get on the Bus?

As illustrated in the last section, not all stakeholders have been convinced that merit pay is a solution to the problem of teacher quality. Nevertheless, we believe that more teachers and researchers would be inclined to support merit pay if implemented as part of a comprehensive compensation reform with a tiered salary schedule, funding for professional development, performance pay, and incentives for high-needs positions. Designed with stakeholder participation, we believe that merit pay, when developed as part of a larger compensation reform, should be explored and implemented on a larger scale to improve school performance.

Our Recommendation: A Comprehensive Reform System

A comprehensive reform package, designed by Harvard's Susan Moore Johnson and John P. Papay (2009), presents the most promising framework for teacher compensation reform. They propose to replace the traditional single-salary pay schedule for teachers with a career-oriented compensation system that aims to increase the human capital of school district employees. The "Tiered-Pay-and-Career-Structure" system is designed to attract strong teaching candidates, support their development and skills throughout their careers, and reward successful teachers with substantial additional pay for student achievement and increased responsibilities.

Rather than instituting a merit pay program that focuses solely on awarding teachers for student performance, Johnson and Papay (2009) recommend a variety of inducements to increase human capital in school districts. There are four main components of their proposal:

- *Four Tiered Salary Structure:* Teachers receive higher salaries based on their years of experience, professional attainment, and varying levels of expertise. Teachers would advance one step annually within each tier as long as they received satisfactory performance evaluations and continued to demonstrate success with their students.
- *Learning Development Fund:* This fund provides teachers with financial support to pursue opportunities to acquire new knowledge and skills. This simultaneously fosters a teacher's professional diversification and development within their career.
- *Performance Bonuses:* Teachers and schools who successfully increase student achievement are awarded school bonuses.
- *Incentives for High Need Positions:* This includes bonuses for hard-to-staff districts, schools, and subjects (e.g. math, science, special education).

An image detailing these components is below (Johnson & Papay, 2009, p. 55).

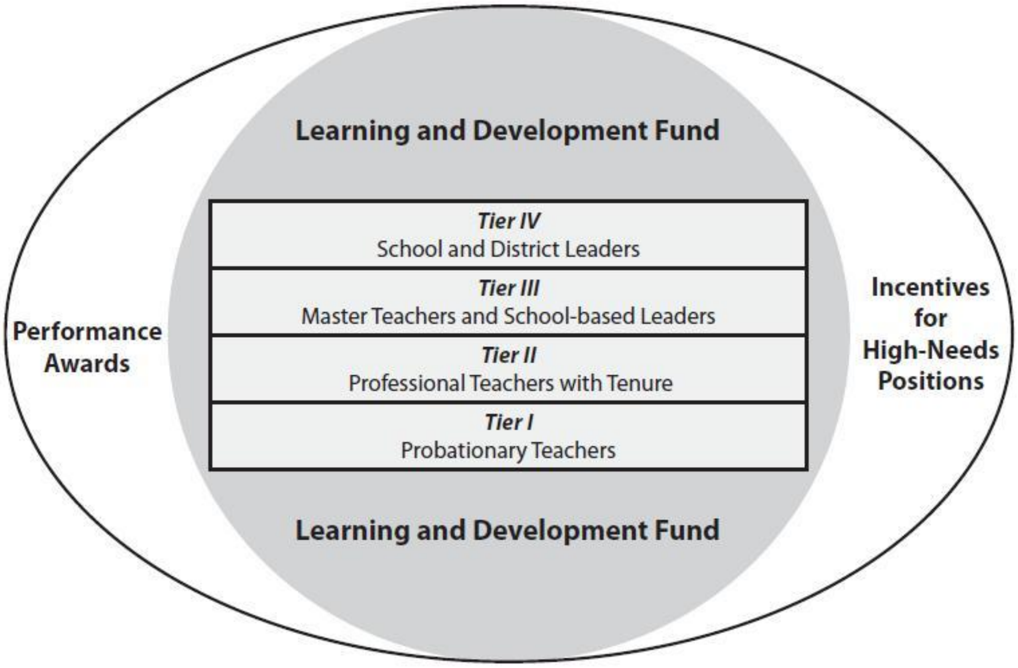

Image courtesy of Redesigning Teacher Pay (2009)

Papay argues that this framework is responsive to the needs of teachers, challenges traditional arguments against compensation reform, and is, most importantly, adaptable to any local school district funding, personnel, or priority realities (personal communication, 2009, November 10). As such, this pay system will look different across districts, but the framework remains the same: eliminate the single-salary pay schedule which pays teachers equally despite potentially unequal performance and skills, reward school and individual performance that leads to student achievement, give teachers an opportunity to develop their professional knowledge and skills, and incentivize teaching positions that have difficult or unfavorable work conditions. Most importantly, this plan presents a clear opportunity for districts to solicit buy-in from stakeholders, like union leaders and teachers, when the model is adapted to each district.

Because history shows that the most successful programs are those that are developed with the consultation of their stakeholders, school districts should develop their models with the collaboration of participating teachers. This will give stakeholders an opportunity to engage in the development and implementation of a suitable compensation reform package that best meets the needs of individual teachers and districts without altering the overall framework of the plan. Further, it provides a learning opportunity for stakeholders to better understand how comprehensive compensation reform can support school improvement (Johnson & Papay, 2009).

This approach supports efforts to increase human capital while simultaneously rewarding teachers for a variety of achievements or professional decisions. This plan also merges market-based plans, such as merit pay, with traditional inducement plans, such as bonuses, ultimately addressing the concerns of conventional opponents. As of November 2009, the plan had yet to receive public criticism. While Papay admits that this may be due to the proposal's recent publication (personal communication, 2009, November 8), we contend that the program's novel approach to compensation avoids the usual criticism and merits high praise. The important endorsement of AFT President Randi Weingarten strengthens this model's credibility, especially given past union apprehension to previous attempts of compensation reform (2009).

Barriers to Implementation

Because the Johnson and Papay framework leaves many decisions to the individual school districts, there are certain considerations that must be addressed for successful implementation. Many concerns align with traditional criticisms of merit pay. Most importantly, districts must consider how they will fairly evaluate teachers given concerns about administrative bias, reliability and validity of teacher evaluations, and the perceived inequity of the merit pay system (E. Useem, personal communication, November 4, 2009). While merit pay (labeled "performance awards" in the framework) is only one piece of the compensation reform plan, it does require thoughtful planning to ensure fairness. Second, districts must cultivate support for the large-scale compensation reform that this plan requires for successful implementation. Teachers may be apprehensive given the historical failings of compensation plans, so developers must solicit stakeholder buy-in. Districts must also consider the logistical hurdles to implementation. These include, but are not limited to securing sustainable funding, creating an implementation timeline, establishing clear metrics for achievement, allocating personnel resources to the project's coordination and management, marketing the plan appropriately to prospective and current teachers, and evaluating the program annually to determine effectiveness (Johnson & Papay, 2009; Heneman, et al. 2007). If districts consider these concerns when adapting this model, they will be less likely to be hindered by traditional obstacles to implementing new compensation plans.

General Conclusions and Implications

Despite criticisms for using pay to improve teacher quality, we firmly believe that the Johnson and Papay (2009) plan for compensation reform is the most comprehensive approach to rewarding and encouraging improvements in teacher performance. It addresses the traditional concerns of the single-salary pay schedule, incentivizes teachers to push themselves professionally, and blends market-based performance bonuses in a way that fosters teacher and school collaboration. This plan, when adapted to each district, provides the opportunity to address traditional compensation and evaluation concerns, especially when developed in collaboration with teachers. Thus, this framework represents a powerful opportunity for increasing teacher quality.

Given the infancy of Johnson and Papay proposal, we believe that it is critical to experiment and evaluate its implementation in a school district to fully determine the plan's feasibility and effectiveness. Fortunately, school districts appear to be receiving adequate supports to soundly adopt and implement this framework. President Obama announced his intention to significantly expand performance-based pay through the federal Teacher Incentive Fund. Race to the Top provides incentives for states to implement programs that experiment with linking teacher pay with student achievement. The Bill and Melinda Gates Foundation is turning its attention toward teacher quality and funding merit pay programs. And further, AFT President Randi Weingarten has endorsed the Johnson and Papay plan, strengthening the plan's overall popularity and credibility among collective bargaining organizations.

These supporters indicate that a sense of urgency has arrived. By adopting compensation reform packages that include a variety of incentives and inducements like the plan proposed by Johnson and Papay, we believe pay can positively affect teacher quality, satisfy all important stakeholders, and ultimately improve the quality of teachers in today's schools.

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