More on Pay-for-Performance

New developments in the field provide insights for policymaking

Whether referred to as “pay-for-performance” (PFP) or “merit pay,” attempting to tie educators’ compensation to their performance in the classroom and students’ performance on high-stakes tests has been a key component of many educator compensation reform efforts in the last five years. This issue looks at PFP systems broadly and includes not only systems that provide rewards for increased student achievement, but also for other tasks such as engaging in professional development and taking on added roles and responsibilities. Since the last time that The Progress of Education Reform addressed merit pay (June 2010), several rigorous evaluations of prominent PFP programs have been completed, and the U.S. Department of Education has intensified its efforts to promote PFP in public schools through Race to the Top and increased appropriations for the Teacher Incentive Fund (TIF). TIF, which provides funds for states, school districts and charter schools to implement merit pay systems, has received $893 million in appropriations since FY 2006. These developments warrant another look into PFP.

This issue of The Progress of Education Reform describes PFP models and presents recent research findings and their implications for policy.
# Models of pay-for-performance programs

All PFP programs are based on the premise that incentives, usually in the form of a cash bonus, will (1) prompt educators to work harder and smarter, thereby improving their own performance in the classroom and students’ academic performance as measured on standardized tests, and (2) attract and retain high-quality teachers to high-needs areas in the field. The ways in which various PFP programs embody this premise vary. As shown in Table 1, PFP models vary according to the overarching goals, the eligibility criteria, the bases for the awards, the incentive structures, the nature of the award and the measures used to determine the award. Research has not yet demonstrated which, if any, of these variations will better lead to the desired outcomes of improved teacher recruitment, retention, distribution and performance, and student performance.\(^2\)

## Table 1: Variations in Pay-for-Performance Models\(^3\)

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>POSSIBLE VARIATIONS</th>
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| **Overarching Goals**                        | Improve educator recruitment  
                           Improve educator retention  
                           Improve educator distribution  
                           Improve educator performance  
                           Improve student performance |
| **Eligibility Criteria**                      | Open only to administrators  
                           Open only to classroom teachers  
                           Open only to certified staff  
                           Open only to teaching staff (e.g., teachers of record and paraprofessionals)  
                           Open only to some combination of the above categories  
                           Open to all building staff (certified and non-certified, teaching and non-teaching) |
| **Basis for the Award**                       | Working in high-needs school or hard-to-staff subject area  
                           Improved student performance, either by demonstrating a level of growth or meeting a prescribed performance goal  
                           Demonstrating excellence or growth in teaching practice on standards-based observational evaluations  
                           Engaging in professional development  
                           Taking on added roles and responsibilities |
| **Incentive Structure and Nature of the Award** | Size of award  
                           Frequency of award  
                           Award supplements existing salary schedule  
                           Award supplants existing salary schedule  
                           Award determined by rank order (e.g., to 10 percent of performers receive award)  
                           Award determined by fixed performance target (e.g., all participants who meet a prescribed target receive award)  
                           Egalitarian award (all award recipients in a school receive the same award according to school-wide performance)  
                           Non-egalitarian award (award recipients in a school receive varying awards according to individual performance)  
                           Some combination of egalitarian and non-egalitarian awards |
| **Measures used to determine the award**      | School-wide measure of student performance  
                           Classroom-level measure of student performance  
                           Score on standards-based observational classroom evaluation |
What does recent research say about the impact of pay-for-performance on key outcomes?

Recent research is mixed on the documented impacts of PFP. As noted in the research studies that follow, some PFP models show very little impact on increased student achievement and teacher retention, while others demonstrate very specific positive impacts on math and reading proficiency, schools meeting Adequate Yearly Progress (AYP) and educator retention.

Prince George’s County’s Financial Incentives and Rewards for Supervisors and Teachers (FIRST)

FIRST is funded through a five-year TIF grant provided to the Prince George’s County (MD) Public Schools (PGCPS). FIRST was developed with the support of local teacher and administrator unions, and provides educators with incentives of up to $12,500 for (1) working in hard-to-staff schools and subject areas, (2) engaging in professional development, (3) carrying out leadership projects and (4) performance as measured by both student test scores and standards-based observational evaluations. A research team from the University of Maryland – College Park evaluated the pilot year of FIRST and found that it had little if any initial impact on educator recruitment, retention and performance, and student performance in participating schools. Moreover, evaluators found that missteps in implementation threatened the “integrity, credibility and legitimacy of the program.”

New York City’s School-Wide Performance Bonus Program (SPBP)

The New York City Department of Education (NYCDOE) and the United Federation of Teachers (UFT) jointly developed SPBP in 2007 an effort to improve student performance. Schools that met annual performance targets could receive school-level bonus awards equal to $3,000 per full-time UFT-represented staff member working at the school. A compensation committee comprised of two UFT members, the principal and a principal appointee at each school then determined how to divide the award among all staff members. Evaluators from the Rand Corporation found that after three years, SPBP had no positive effect on student achievement in participating schools. As shown in Table 2, students in K-8 SPBP schools actually performed worse in mathematics than students in control schools in Year 3. NYCDOE, citing lack of impact, suspended the program in January 2011.

**Table 2: Difference in K-8 Mathematics and ELA [English Language Arts] Scale Scores for SPBP and Control Schools**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Years 1, 2, and 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>K-8 Mathematics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPBP</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>-2.13</td>
</tr>
<tr>
<td>Control</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>-1.93</td>
</tr>
<tr>
<td><strong>K-8 ELA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPBP</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Control</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

* No statistical difference
Nashville, Tennessee’s Project on Incentives in Teaching (POINT)\(^6\)

POINT was a three-year study conducted in the Metro-Nashville Public schools from the 2006-07 through 2008-09 school years. Nearly 300 Middle school mathematics teachers (70% of eligible teachers), grades 5 through 9, voluntarily participated in a controlled experiment to assess the effect of offering financial rewards to teachers whose students showed unusual gains on standardized tests. Participating teachers were left to decide what they needed to do to raise student scores (e.g., additional professional development, increased collaboration with other teachers, etc.). Teachers eligible for a reward could earn a maximum of $15,000.

The hypothesis of POINT was that bonus pay alone would result in increased student performance, but the results did not support this hypothesis. While researchers found some positive results in 5th-grade students’ mathematics scores in the second and third years of the POINT experiment, this improvement was not sustained in 6th grade. POINT treatment and control group teachers, in general: favored rewards for better teachers; did not believe that the POINT reward recipients were better teachers — or that teachers not receiving awards needed to improve; and did not agree with the criteria used by POINT for determining teaching effectiveness.

Note: The IES What Works Clearinghouse, April 2011, completed an evaluation of this study. The WWC Rating indicates that, “the research described in this report does not meet WWC evidence standards.”\(^7\)

Study of Six Teacher Incentive Fund (TIF) Sites – Louisiana, Arizona, Pennsylvania, North Carolina, South Carolina, and Texas\(^8\)

With the support of the Gates and Joyce Foundations, the author of this study selected six Teacher Incentive Fund sites because they showed promising early data. These sites include:

2. Amphitheater Unified School District #10, Arizona – Project EXCELL!
3. Guilford County Schools, North Carolina – Mission Possible
5. South Carolina Department of Education and Florence County School District Three, South Carolina – TAP
6. University of Texas System (Texas TAP).

While these six pay for performance systems were not designed and implemented in identical ways, they shared features and themes, including: job-embedded professional development; collaborative teacher groups; significant principal involvement; differentiated evaluation results for teachers; differentiated pay based on student achievement; and principal performance pay. Additionally, nearly all sites created teacher leader positions with additional compensation and committed significant state and district funds to sustain these performance compensation reforms. These six TIF-funded systems include changes to educator evaluation, professional development, career advancement and performance-based compensation.

Performance pay bonus ranges varied in each of the six school systems:

- Teachers: $125-$7071
- Principals: $300-$10,359

The six school systems highlighted in this study collectively experienced the following successes:

- Academic growth greater than one year for many schools
- Increases in teacher retention rates
- Increases in the percentages of schools meeting AYP goals
- Increases in high school graduation rates
- Significant increases in math and reading proficiency
- Increases in teacher collaboration

However, because the study did not use an experimental design, the author could not directly attribute these successes to incentives or another reform that may have been in place in these schools.
Policy Implications

Collectively, the studies above and those included in the previous issue of The Progress of Education Reform on merit pay suggest that there are no clear-cut policy answers on PFP. Rigorous research has found both PFP reforms that have lead to desired outcomes, those that have not lead to desired outcomes and those that have resulted in undesired outcomes. However, these studies also provide several implications that can guide the development of PFP policies:

- **The theory of action for pay-for-performance may be flawed.** Incentives alone may not be sufficient to prompt improvement in teacher and student performance and to attract high-quality teachers to hard-to-staff schools and subject areas. Programs, such as FIRST and many others funded by TIF, are early models that include a variety of reforms to influence educator supply, distribution and performance. However, whether or not some combinations of incentives and other reforms will lead to improved educator supply, distribution and performance remains an open, empirical question.

- **Performance incentives may have a low motivational value as compared to accountability measures.** The motivational power of incentives may have been preemptively diminished by school accountability policies such as NCLB. For this reason, the value-added of educator incentives may not substantiate the cost of pay-for-performance programs.

- **Pay-for-performance reforms may take several years to realize their desired outcomes.** Few, if any, pay-for-performance reforms have produced their desired outcomes in the first year of implementation. Rather, most have taken between three and five years before measureable increases in educator recruitment, retention and performance, and student performance are seen.

- **Securing sustainable funding for pay-for-performance remains a challenge in the current economic climate.** States and LEAs (Local Educational Agencies) will have a difficult time substantiating sustained funding for educator incentives in light of other competing demands on already-tight school budgets. Because most studies have found pay-for-performance programs have little impact in their first few years and the relative size of the incentive is crucial to fostering motivation, unstable funding streams that result in programs that change from year-to-year may undercut the motivational potential of pay-for-performance programs.

Conclusion

Most of today's PFP models supplement, but do not replace current salary schedules. Some emerging PFP models are based on replacing, in whole, existing state educator salary schedules with PFP measures (e.g., Indiana, Ohio). Future impact studies of these new models should prove noteworthy.
Endnotes


Past issues of The Progress of Education Reform are available on our Web site at: www.ecs.org/per.

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