

CHAPTER 7

Professional Educators and Their Pay: Policy, Implementation and Alignment Issues

Overview of key educator pay issues: stabilising costs and raising student achievement.....	170
Education reform strategies and their results to date.....	173
Educator compensation reform possibilities.....	174
Considerations in the design and implementation of performance pay programmes.....	177
The influence of federal, state, district and school contexts.....	178
Cultivating a culture of continual appraisal and mid-course corrections.....	181
Components of high-quality performance pay programmes.....	182
21 st century educator pay for performance plans: permanent professional practices or ephemeral policy propositions?.....	183
Iron triangles, high politics, political champions, and transaction costs.....	183
Positioning performance pay on the political continuum.....	184
The political valence of how performance pay is practically portrayed.....	185
The potentially powerful, but unpredictable, impact of research experiments and experience.....	186
The path ahead.....	187
Systemic integration and alignment: the surest way to performance pay survival.....	187
Conclusion.....	191
Annex 7A: Practical preparation for performance pay programme implementation.....	192
Notes.....	196
References.....	197

What nobler employment, or more valuable to the state, than that of the one who instructs the rising generation?

Cicero, 1st BC

Across the globe, both the numbers of elementary and secondary schoolteachers and their inflation-adjusted salaries have substantially increased during the past half-century. In many nations, however, student achievement has remained stagnant. Two increasingly voiced policy goals, therefore, are to stabilise spending and raise performance. A central issue to consider when striving for these goals is the optimal means by which educator pay can be reshaped to contribute more forcefully to higher levels of student achievement.

This chapter addresses this global concern by analysing educator financial reward structures, describing their individual and organisational consequences, and proposing means for productive reform. This chapter addresses key policy, implementation and alignment issues inherent in incentive programmes for teachers and school leaders. It considers “pay” as a broad concept, encompassing salaries, pensions, and fringe benefits. It also considers pay as a lever for shaping individual career choices (e.g. enhancing job status and career mobility) and improving organisational effectiveness.

As the various contributors to this book argue, educator compensation is important both for individual teachers and for society. If professionals’ pay is widely perceived as poor, then societies run the risk of attracting too few able individuals into the teaching field. At the same time, those already in the field are most likely to pursue goals that schools reward. Thus, if the reward structure is insufficiently aligned with or even antagonistic to a school’s core purposes, the risk is high that resources will be wasted and goals unfulfilled. As this chapter argues, it is important that educator pay and incentive programmes be aligned to holistic approaches to developing human capital and elevating student performance.

OVERVIEW OF KEY EDUCATOR PAY ISSUES: STABILISING COSTS AND RAISING STUDENT ACHIEVEMENT

If the objective is improving student academic achievement, there is no substitute for policies that directly relate to student outcomes.

Eric Hanushek (2007)

Incentives and rewards, including pay, shape individual choices as to whether to become an educator, how long to stay in the field, the frequency of relocation, the commitment to becoming an effective professional, career aspirations, and when to resign or retire. This chapter addresses these dimensions, offering, where appropriate, historical explanations based on experiences in the **United States (U.S.)** and international comparisons. The chapter suggests an integrated approach to educator compensation and related organisational reforms as a mechanism for ensuring both programmatic and fiscal sustainability to teacher incentive programmes. Before turning to these specifics, however, there are important contextual conditions worth considering. Two evolving conditions are forcefully propelling educator compensation as a policy priority in industrialised nations. Both conditions are related to productivity. They are: (1) demands for higher levels of student achievement and (2) the need to control rapidly rising education labour costs.

Industrial nations now face intensified levels of global commercial competition; a highly educated workforce and citizenry is vital for success. This situation is motivating nations to attempt what has never occurred before in history: education of entire populations to high academic standards. To be sure, small homogenous populations, traditionally typified by Scandinavian nations, can claim high levels of student achievement, but for larger and more diverse economies, such as in North America, Latin America, Asia and larger European nations,

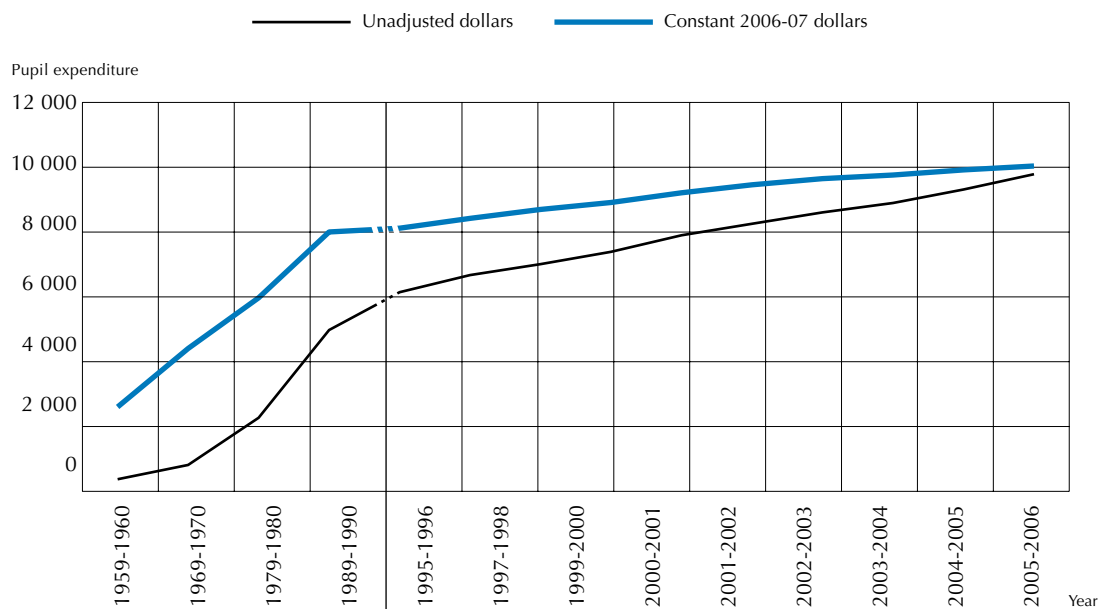
this is a new expectation. Even so, countries such as **Korea** and **Japan** have had high levels of student achievement. Certainly, across the globe, the bar for school productivity is higher than ever before and will likely be set at an even higher level in the future.

This chapter suggests that educator performance pay be conceptualised and implemented as an integral element of a holistic human capital development strategy. If approached in this manner, teacher incentive systems can serve as a vehicle to propel student learning and render school systems more fiscally efficient. In the private sector, human capital is generally defined as the accumulated value of an individual's intellect, knowledge, experience, competencies, and commitment contributing to the achievement of an organisation's vision and business objectives (OECD, 2001). Within the context of elementary and secondary education systems, the bottom line or 'business objective' is student achievement. Thus, in public education, human capital encompasses the knowledge and skill sets of teachers and school leaders that result in increased levels of learning for students.

The second condition, one confronting the full spectrum of OECD nations, is ever-rising school costs. As an example of this global trend, Figure 7.1 displays a five-decade-long view of ever-upward, inflation-adjusted, per-pupil spending in the **U.S.** In fact, with the exception of a two-year period in the midst of the Great Depression and a repeated downturn in the midst of World War II, the U.S. has for six decades never seen a time in which year-over-year adjusted per-pupil spending declined. Similar trends in rising education costs can be seen in Latin America, Europe and Asia.

Figure 7.1

**Current expenditure per pupil in fall enrolment in public elementary and secondary schools:
Selected years, 1959-60 through 2005-06**

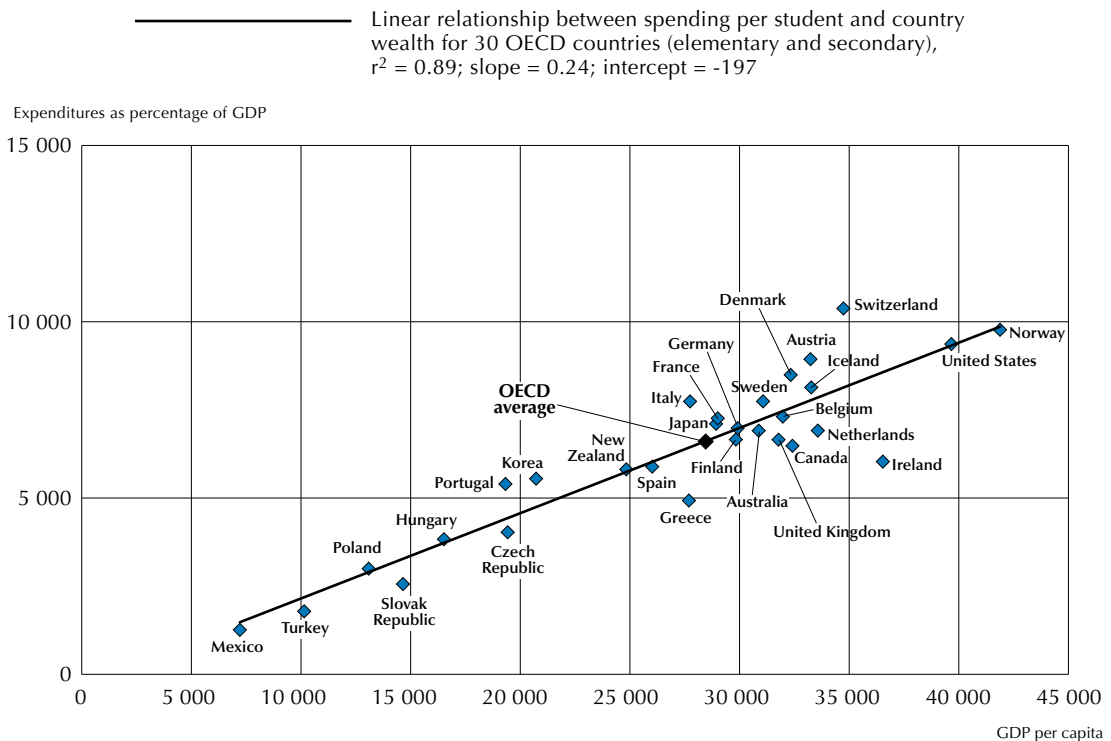


Source: National Center for Education Statistics, 2006.

Additionally, Figure 7.2 illuminates the linear relationship between per student spending and the per capita wealth of OECD nations. That is, the more money per person a nation generates, the more it spends per pupil on education. Figure 7.3 highlights the percentage of total public expenditures allocated to education in selected OECD countries. Here we notice some interesting trends. Most notable is the case of **Mexico**, which allocates the highest proportion of its public expenditures to education (twice the OECD average), yet has the lowest per pupil spending of the OECD countries, reflecting Mexico's low GDP per capita (the lowest in the OECD). In addition, we see eight nations allocated a lower percentage of all public spending to education in 2005 than in 2000: **Chile, Korea, the U.S., Switzerland, Sweden, Portugal, Hungary and France**.

Figure 7.2

International comparisons of expenditures for education



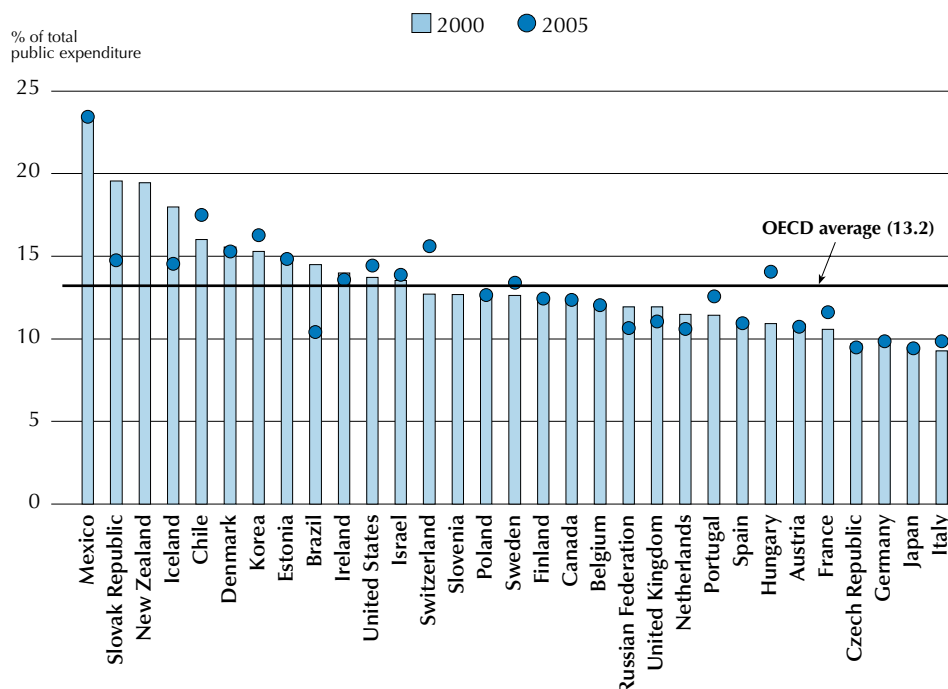
Source: National Center for Education Statistics, 2009.

The principal reason costs continue to escalate is that education is remarkably labour intensive and becoming more so; whereas other sectors, such as communication, finance, agriculture, retailing and manufacturing, long ago began to supplement labour with less expensive forms of capital. For example, bolstered by enhanced machinery and technology, each American farmer now feeds approximately 75 people, a number that continues to climb every year. Such reliance upon new methods of production has not yet occurred in the field of education. This is not for lack of attention. Across OECD countries, the education sector has been the target of many reform strategies. None has so far succeeded, however, at enhancing the efficiency of instructional delivery and few have directly targeted the issue of labour productivity.

Figure 7.3

Total public expenditure on education as a percentage of total public expenditure (2000, 2005)

Direct public expenditure on educational institutions plus public subsidies to households (which include subsidies for living costs), and other private entities as a percentage of total public expenditure, for all levels of education, combined and by year



Countries are ranked in descending order of total public expenditure on education at all levels of education as a percentage of total public expenditure in 2005.

Source: OECD, 2008.

EDUCATION REFORM STRATEGIES AND THEIR RESULTS TO DATE

A multitude of reform strategies can be found across the education landscape of every nation. Figure 7.4 describes several of these. Each nation has experimented with its own versions of these reform strategies as well as other efforts for rendering schools more effective. The strategies on this list are not mutually exclusive, and a proponent of any one of them might proclaim that the full strength of the treatment is unknown because it has never been widely or fully implemented. This is true for reform efforts such as school choice and competition or accountability where there has never been much of the former and few consequences attached to the latter. Perhaps the most costly of these common reform strategies, has been a continual reduction in pupil/teacher ratios. This could be called a personnel saturation strategy. Schooling's labour intensity is of necessity at the heart of any effort to elevate academic achievement and increase educator productivity. The following sections deal with reform efforts targeting these important issues.

Figure 7.4

Examples of education reform strategies

- **Intensification of academic requirements** (high school graduation, college admission)
- **Education finance** (intra-state and intra-district equal spending, smaller classes)
- **Governance changes** (mayoral takeover or decentralisation)
- **Curricular and instructional alignment** (goals, textbooks, curriculum, and tests aligned)
- **“Professionalisation” of teachers** (more pre-service preparation, career ladders)
- **Accountability** (sanctions related to student achievement results)
- **Market solutions** (vouchers, charter schools, outsourcing of services)
- **School-based solutions** (small learning communities, schools within schools)
- **Out-of-school aid to students** (health, housing, nutrition, supplemental services)
- **Technology** (laptop programmes, online materials, distance learning)

Few education policies or operational practices are as complex or as controversial as those concerned with personnel, particularly compensation. Why is this so? Why are educator compensation issues often so contentious? Might personnel remuneration policies be changed to better fulfill goals, including meeting employees’ career aspirations, schools’ organisational goals, and societal priorities?

The answers to these questions are complicated. From an economist’s standpoint, if individuals are seeking, accepting, and remaining in teaching positions, then they are being paid sufficiently. If they were not, or perceived themselves as better off in another endeavour, presumably they would leave and find other employment. Of course, this is an overly simplified answer. Labour markets are not all that perfect in their operation. There are myriad other considerations that influence individuals to persist in teaching, such as job location, family ties, security, affection for children, the reward of teaching in and of itself, etc. Given the substantial employment security in teaching (few layoffs), a nine-or-ten-month working schedule, generous fringe and personal benefits, and the protections afforded by the single salary schedule, teachers would appear to be paid well in the U.S.

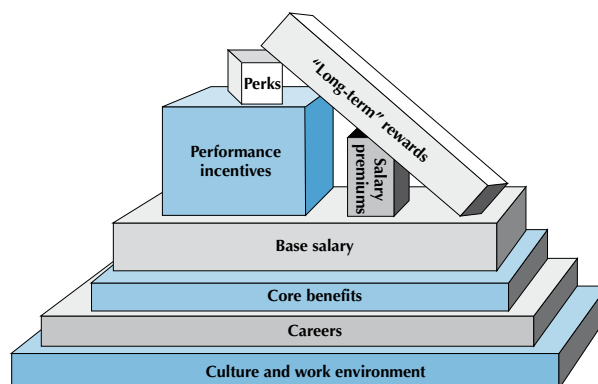
EDUCATOR COMPENSATION REFORM POSSIBILITIES

As illustrated in Figure 7.5, there are multiple aspects of employee compensation. The complexity and interactions of pay, working conditions, long and short-run benefits, and overall organisational culture or contexts are depicted here. This suggests that salary, while certainly significant, is not by itself the only important piece of the remuneration mosaic. The following discussion addresses a range of significant teacher compensation components, in addition to base salary.

Working conditions. Schools, almost no matter how challenging the working conditions, are not coal mines, steel mills, or even product assembly lines. On the other hand, they do not have the prestige and comfort of expansive corporate offices. Also, despite the periodic media blitzes to the contrary, schools are quite safe from personal violence and physical injury. Finally, teachers are responsible for a smaller number of students than in the past, due to consistent class-size reductions and the expansion of teaching staff over the past half-century. What then is there not to like about the working environment in a public school?

Figure 7.5

Components of teacher compensation package



A primary problem is work isolation. The independence of schools and autonomy of classrooms means that classroom teachers are separated from other adults and teaching colleagues. Most other professionals operate in teams: physicians with nurses, lawyers with colleagues, engineers with technicians and contractors, etc. Efforts at structuring teaching around teams have episodically been tried, but seldom persist. At least striving to schedule teaching teams around the same preparation period or lunch period would seem to assist in breaking down the work isolation problem.

Professional benefits. Small measures may have a large impact on teacher satisfaction. Progressive districts provide teachers with professional benefits such as business cards. Each month a selected teacher may be provided with a particularly convenient parking space. More effective, although not necessarily more senior teachers, may receive their pick of classrooms or more favourable teaching times. Clerical support in communicating with parents can be helpful for teachers, particularly teachers attempting to gain parent engagement in a student's learning. Recognition in district or school newsletters or other communiqués of outstanding teacher actions or unusual efforts at professional improvement are worthy of comment. Provision of an Internet service and an email address may also reinforce a sense of professionalism. Finally, it is an unusual teacher who has an office, other than his or her classroom. Similarly, many teachers do not have regular access to a business telephone. All of these are relatively low cost investments that hold the potential to reinforce a sense of professionalism among classroom teachers.

Performance incentives and salary premiums. This is a dimension on which most public school employee salaries in the U.S. are notably deficient. There is little ability for an individual educator in a public school system to earn more based on their teaching skills or the improved performance of their students, however the latter is measured. The absence of performance pay and salary premiums is one of the principal reasons why annual teacher pay is relatively low as compared to other professionals, particularly those in the private sector (Ballou and Podgursky, 1997). Figure 7.6 provides a comparison of across-the-board raises and performance-based-pay raises in the education sector. This comparison highlights the manner in which performance pay promotes multiple activities linked to a core goal of OECD and other nations' education systems, namely the academic growth and achievement of students.

Figure 7.6

Comparison between traditional pay raises and performance pay bonuses

Across-the-board raises	Performance-pay bonuses
Funds are not linked to the most important outcomes of schooling	Funds are directly linked to the most important outcomes of schooling
Do not provide motivation or rewards for elevated levels of school or teacher effectiveness	Do provide motivation or rewards for elevated levels of school or teacher effectiveness
Do not encourage the continued professional development of teachers and principals	Do encourage the continued professional development of teachers and principals
Do not provide impetus for schools and districts to align their resources with their core goals	Do provide impetus for schools and districts to align their resources with their core goals
Endorse the status quo	Challenge the status quo
Do not help schools and districts attract and retain highly effective teachers and administrators	Do help schools and districts attract and retain highly effective teachers and administrators
Do not encourage schools to consider how to effectively assess student learning across multiple grades and subject areas.	Do encourage schools to consider how to effectively assess student learning across multiple grades and subject areas.

There are numerous proposals for overcoming the disparities noted above. Figure 7.7 summarises the various means by which pay-for-performance premiums can operate. Note that rewards can be for an entire school, a team of teachers within a school, or for individual teachers. Of course, these arrangements could extend to an entire district, region or an entire nation. Note also that rewards can be for a mix of conditions including raising levels of student performance, instructing or administering in hard-to-staff schools or subjects, or meeting school or district goals for individual or group professional development. Finally, these rewards can apply to classroom teachers alone or can also be aimed at non-instructional staff, including administrators and other members of a school's staff.

Figure 7.7

Comparison of compensation systems

Alternative educator remuneration strategies	Target: individual or group	Illustrative performance measure(s)	Possible form of reward	Strengths	Weaknesses
Whole-School Reward (inclusion of classified employees optional)	Group	Student test scores Student attendance Teacher attendance	Annual bonus	Reinforces collaborative effort	Free-rider problem
Specialists/Teaching-Team Reward (e.g. all math teachers in a school, a district, a region, or a state)	Group	Student test scores Student attendance Teacher attendance	Annual bonus	Reinforces collaborative effort Reduces free rider problem	The larger the group the more likely there is a free-rider issue
Teacher Value-Added Reward	Individual	Student test scores	Annual bonus	Possibly enhances instructor motivation	Limited empirical measures could result in narrowing of curriculum, could foster dysfunctional competition
Teacher Knowledge and Skills Reward	Individual	Acquisition of attributes specified as abetting district or school pursuit of higher student achievement	Bonus, base salary addition or pay scale acceleration	Diminishes dysfunctional consequences of exclusive test score reliance	Lacks uniformity across school districts Not easily linked to empirically verified attributes
Teacher Appraisal-Based Reward	Individual	Peer review and superior appraisals of teacher performance and (possibly) knowledge and skills	Bonus	Diminishes dysfunctional consequences of exclusive test score reliance	Few empirically validated appraisal dimensions Risk or fear of favouritism and cronyism
Hard to Staff/Hard to Serve Schools	Individual	Market factors applied to specified teacher shortage definitions	Bonus, base salary addition or pay scale acceleration	Applies market incentives to solve shortages	Targets select schools and teachers
Teacher Career Ladder	Individual	Peer review and superior appraisals of teacher performance Student test scores Student attendance Teacher attendance	Bonus, base salary addition or pay scale acceleration	Rewards instructions Retains teacher talent	Never has lasted long in past experiments

CONSIDERATIONS IN THE DESIGN AND IMPLEMENTATION OF PERFORMANCE PAY PROGRAMMES

Experience with modern performance pay in schools across the globe suggests that the most crucial conditions associated with success are (1) high-level leadership; (2) adequate planning; (3) accurate performance measurement; (4) financial responsibility; and (5) employee and public engagement.¹

Leadership. If a district superintendent is insufficiently committed to the idea of performance pay, and unwilling to place the prestige of his or her CEO position on the line in support of change, the likelihood is great that whatever plan emerges will have a short shelf life.

Performance pay is often a wrenching change for the organisational culture of school districts and its professional educators. For change to be accepted, and to persist, persuasion and financial resources are necessary that typically only a high-level leader can command. Ambivalence – less than full leader commitment – will curtail the effort of likely supporters and be seized upon by opponents.

In addition to district, state, regional or even national support for performance pay, the school-level principal is essential for successful performance-pay programme implementation. Schools are the implementation unit of performance pay, and as such school-level leaders have significant ability to shape perceptions regarding the importance of the programme and to provide the ongoing levels of communication and coordination necessary for performance-pay programmes to succeed. Without a high degree of commitment from school-level leaders, performance-pay programmes will never reach high levels of operational transparency and functionality.

Planning. A performance-pay plan must be conceived from the outset, and continually reinforced thereafter, as a major change in a school or school system. The reward structure for employees cuts to the core of any organisation's culture. Hence, leaders must understand the need for comprehensive planning for changes to the reward system, and make the time for this process.

One cannot turn simply to a district's human resources department and request that they unilaterally alter the salary schedule. Rather, an expansive view of the operation must include the data processing department, budget office, professional development efforts, testing and measurement, collective bargaining, public information, and plans for future hiring of employees.

Resources. Few issues will undo a performance-pay initiative more quickly than a district's inability to be unable fully to honour its financial obligations to those eligible for performance awards. To ensure that there are sufficient resources to cover possible financial exposure, district budget officials must develop financial projections with generous payout assumptions to ensure that the district can cover the proffered rewards. Furthermore, efforts at the outset must be undertaken to ensure programmatic and fiscal sustainability of the incentive programme. If a long-range plan for sustainability is not communicated to stakeholders, they will likely lump performance-pay programmes into the category of fleeting fads. The demise of the merit-pay era of past decades was directly attributable to a lack of sustainable funding and inconsistent resource allocation for the programmes.

Measurement. Appraisal of student achievement, or teacher or administrator progress on other reward dimensions, is a fundamental underpinning of a performance-pay programme. Participants must have confidence that the activities they are undertaking are subject to accurate and objective measurement, if they are to develop any commitment to the objectives of the programme.

Engagement. Surprises are usually not good in a large organisation. Pay-for-performance programme success crucially depends upon teachers, administrators, and other employees understanding fully that which is being proposed, having an opportunity to shape important components, and understanding that every effort will be made to correct problems, should they emerge.

This dictum applies to members of the public as well. Hence, the planning stages of a pay-for-performance initiative should include external stakeholders, and there should additionally be an intense outreach effort to ensure that the public is informed of changes.

THE INFLUENCE OF FEDERAL, STATE, DISTRICT AND SCHOOL CONTEXTS

No school reform effort exists in isolation from important contextual influences. Certainly state, regional, district and local influences greatly impact the manner in which education policies are implemented. Performance-pay programmes for educators are no exception to this rule. This section of the chapter will discuss the influence of the following factors upon the design and implementation of performance pay programmes: (1) accountability and support systems (2) labour relations and contracts, and (3) human-resource and data-management infrastructures. This section will also discuss how these contextual factors impact design decisions such as central or local implementation, and which of these approaches are more prevalent and effective.

Accountability and support systems. Over the past decade, more and more OECD countries are holding education institutions accountable for improving student outcomes. While the specific nature and goals of heightened accountability expectations vary across nations, the governing bodies that set and monitor progress towards meeting the goals are primarily national, state or regional departments of education. Accountability systems articulate to local education agencies, such as districts and schools, what outcomes are expected for students in the system. By sending messages about what is most important to accomplish, accountability systems define what educational processes and outcomes are measured. As in the private sector, the activities and results that get measured are the ones that organisations focus resources upon, whether financial, programmatic or personnel. Since accountability systems signal what is most important for the school or district to accomplish, the system will necessarily influence any programmes that are directly linked to those goals, including performance-award programmes.

For example, the No Child Left Behind legislation (2001) in the **U.S.** has heightened the country's emphasis on educating all students to high standards. One result of this legislation has been for school systems to target resources to close the "achievement gap" between populations with different levels of socio-economic status (SES). It is no surprise that the federal government's first initiative to fund pilot programmes in performance pay² was targeted to hard-to-staff schools with elevated levels of students on free- and reduced-price lunch programmes (*i.e.* for low SES students).

The influence of heightened accountability expectations has been felt across OECD nations as well. For example, the Every Child Matters Agenda in **England** is leading towards increasingly personalised learning experiences for students and often requires collaboration between a range of professionals, both within and outside of schools (Hopkins and Ahtaridou, 2008). Several countries in Central America have introduced school-based management reforms to encourage greater local accountability. In **El Salvador**, the Education with Community Participation Programme brings important decisions regarding teacher quality and student performance to school-level discussions where parents and students have a voice. The programme has generated learning gains for schools in important dimensions including student academic achievement. Similarly, a school-based management reform project in **Honduras**, Community Education Project, has resulted in elevated student performance in mathematics, science and Spanish-language (Vegas, 2007).

These examples highlight the manner in which accountability expectations and systems can influence the design and implementation of performance-pay programmes. Support systems also influence the manner in which incentive systems are designed and implemented. One widespread reaction to elevated accountability requirements is for professionals to seek supports, such as professional development, in order to meet heightened expectations. A well-designed performance-pay programme will take into consideration the support systems

already in place for teachers and school leaders, determine the efficacy of these systems and, where necessary, create additional supports to which all professionals have access and that are directly aligned to the goals of the performance-pay plan. As most support systems for educators are implemented at the district and school level, their capacity to administer the necessary support will influence the effectiveness of the performance-pay programme.

Labour relations and contracts. Performance-pay programmes cut to the core of employee relations and the labour expectations outlined in teacher contracts. For decades, teacher pay has been based upon criteria that reward longevity and privilege seniority. New models of incentive pay challenge traditional bases of teacher pay and seek to differentiate teachers along a continuum of effectiveness. Due to this reality, performance-pay programme leaders must engage association and unions to negotiate elements of the performance-award programme. For example, several states in the **U.S.** have collective-bargaining statutes that require teacher contracts to be negotiated with local union leaders. Collective bargaining shapes many day-to-day operations in a school, such as the way schools are organised, financed, and staffed.

In order to design and implement reforms that will successfully improve teacher quality and raise student achievement, it is important for school and district leaders to understand the role of unions and collective-bargaining bodies. In the U.S., there have been variable responses to state and district attempts at performance pay from local unions and associations to date. The process always involves give and take. For example, one of the most well-known alternate-compensation systems is the ProComp plan in Denver, **Colorado**. This plan was negotiated between the local board of education and the Denver Classroom Teacher Association. While the association consented to levels of differentiation in teacher pay, it required that the dimensions of this approach be developed by teachers and approved by principals. A similar arrangement has emerged in Austin, **Texas**. Here, the district superintendent and teacher association president are both present when making any formal remarks about the district's Strategic Compensation initiative. Through these joint appearances, district leaders are assuring teachers and principals that their association leaders are at the table and a key part of any critical decisions about the performance-pay programme.

In contrast to the autonomy and decentralisation evident in **El Salvador** and **Honduras**, the educational system in **Chile** emphasises a national curriculum and standardised learning measures. Within this more centrally-controlled system, perhaps it is not surprising that the conflict and resistance between the Chilean Teachers Union and the Government leads to many compromises. For example, while the teacher union annually secures raises for all teachers, the government has installed a series of incentive systems related to performance, first, with the National System of School Performance Assessment (*Sistema Nacional de Evaluación del Desempeño*, SNED) in 1996, later with the creation of the Pedagogical Excellence Allowance (*La Asignación de Excelencia Pedagógica*, AEP) in 2002, and finally with the Variable Allowance of Individual Performance (*Asignación Variable por Desempeño Individual*, AVDI) in 2006. Due to a lack of collaboration with teachers in creating the incentive programmes, only a small percentage of teachers are financially recognised and the system has created competition between teachers. Researchers have found that this approach neither promotes professional development nor improves the quality of education; on the contrary, it perpetuates conflict between the centralised government and the teachers' union (Pavez Urrutia, 2008). From these examples, we see how critical these external forces are to the creation of a teacher-incentive system that will advance teacher quality and student performance while having a positive impact on the culture and climate of schools.

Human-resource and data-management infrastructures. Once accountability demands have been aligned with the performance-pay plan, and agreements with local unions and associations have been made, district and school leaders must still contend with the potential constraints of existing human-resource and data-management infrastructures. In order to effectively implement a performance-pay plan, a district must have

a data-management system that can facilitate desired linkages between teacher and administrator human-resources data, student course scheduling and demographic data, and the payroll system. Few school systems have a data-management infrastructure that can currently support these linkages on the level of individual students and teachers. For example, consider if your school, district or state or region's data system is able to provide you with a very high level of accuracy, for every teacher in a particular school, every student they teach during every class period. Is the data system able to account for student mobility? Does the data system account for team teaching? Can the data system specify individual student and teacher attendance rates during the year? Is the data system electronic, or would key teacher or student level data need to be verified by hand? Answers to all of these questions will influence the design of a performance-pay programme that can be reliably implemented and provide a high degree of accurate data by a school or school system.

As an example, many of the performance-pay programmes funded by the **U.S.** Department of Education's Teacher Incentive Fund were designed to award individual teacher payouts based on student-achievement data. However, when it came time to calculate teacher payouts, the state, district and school data systems were not able to make the necessary linkages between individual teachers and groups of students. In some cases, small districts were able to do this data verification without the help of a data management system, but in large, urban districts there were simply too many teachers and students to feasibly do this hand-checking with a high degree of accuracy. As a result, many of the programmes had to resort to awarding payouts to individual teachers based on school-wide levels of student performance.

Contextual factors impact design decisions. As described above, increasing accountability requirements for improved education outcomes are exerting tremendous pressure on schools to develop reform efforts that will enhance the efficiency and effectiveness of teachers and school leaders. Local bargaining units also influence the way programmes are designed and implemented. Additionally, the current reality of human-resource and data-management infrastructures influences the feasibility of implementing desired design elements. These contextual realities shape performance-pay programmes in multiple ways, including the locus of control for programmes – that is, the degree to which programmes are centrally or locally developed, and to what extent programmes are more homogenous in approach or individually tailored by an entrepreneurial school and leadership team.

The performance-pay movement in **Texas** over the past three years provides a picture of how these dynamics interact. In the fall of 2006, the Governor's Education Excellence Grant programme made available non-competitive, three-year grants to 100 schools ranging from USD 60 000 to USD 220 000 per year. Grants were distributed to schools that were rated as high-performing with high proportions of economically-disadvantaged students. As there was no statewide precedent for performance pay at the time, the state legislature determined that the appropriate place to start was to allow entrepreneurial leaders and schools a high degree of autonomy in implementing programmes. Since the programmes did not require district-wide participation, individual schools could tailor a programme to meet local needs while complying with broad programme guidelines. While this approach launched the statewide movement by funding 100 pilot programmes, subsequent models for allocation of funds for performance pay have moved from a campus-based approach to the most recent District Award for Teacher Excellence programme (which allocated USD 147.5 million in funding for 200 districts to implement district-wide performance-award programmes during the 2008-09 school year). This transition was made in part to take advantage of economies of scale, support systems, and human-resource and data-infrastructure elements at the district level. Additionally, calculations of teacher and school effectiveness gain a degree of statistical accuracy within a larger sample of demographically similar schools afforded by district-based programmes.

In response to the contextual variables described above, several performance-pay programmes have begun with a group of pilot schools within a district that have self-selected into the programme. The strategic compensation programme in Austin, **Texas** is an example of this approach. Having begun with a pilot cohort of nine schools in

2007-08, the programme anticipates adding several schools each year until the programme is implemented at scale in the district's 200 schools. In other cases where performance pay was initially implemented district-wide, such as **Denver's** ProComp programme, existing teachers were given the choice of opting into the programme or staying with the traditional salary schedule. In both of these cases, we see how contextual influences, such as negotiations with the local teacher association, impacted programme design and implementation.

An incentive programme in **Mexico** provides a broader international perspective on the influence of contextual variables upon incentive system design and implementation. The National Agreement for the Modernization of Basic Education reform of 1993 resulted in a significant decentralisation of Mexico's public schools from a federal system to one driven more autonomously by its 32 federal entities. One element of this reform was the establishment of *Carrera Magisterial* (teachers' career ladder), a nation-wide teacher incentive programme that is jointly managed by the Ministry of Education and the teacher union (Santibáñez, 2009). While many international performance-pay programmes have group and whole-school elements, the foundation of the *Carrera Magisterial* incentive programme is based on awards to individual teachers, signaling a commitment to the enhanced autonomy reflected in the National Agreement.

Due to the inevitable impact of external factors on performance-pay design and implementation, it is important that district and school leaders continually evaluate and revise programmes using data-driven decision-making processes. This topic is the focus of the next section of the chapter.

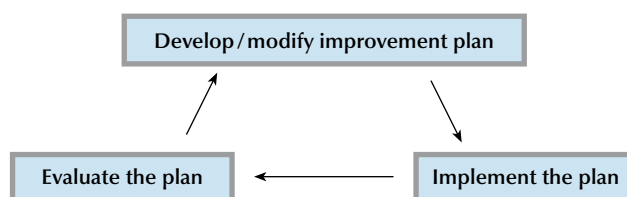
CULTIVATING A CULTURE OF CONTINUAL APPRAISAL AND MID-COURSE CORRECTIONS

The systematic collection, analysis and utilisation of data can serve as a catalyst for organisational learning. Education leaders can harness the regular information flow from data to sustain a culture of continuous improvement within their districts and schools. Data can provide leaders with continual feedback to support individual and collective learning in educational organisations. In the case of performance-pay programmes, which are complex and involve many moving parts, it is essential to continually engage in a cycle that involves the development, implementation, evaluation and re-appraisal of the plan. These activities are illustrated in Figure 7.8 below.

Once an incentive programme has been developed in collaboration with key stakeholder groups and is being implemented, it is imperative that a full spectrum of programmatic elements be evaluated to determine the impact of the programme on key processes and outcomes. These include teacher perceptions of the programme, influences of the plan on the school culture, ability of the plan to enhance retention and attraction of teachers, and improvements in student performance.

Figure 7.8

Continuous improvement cycle



Another way districts have infused data-driven decision making into the performance-pay process is to incorporate programme elements that rely on student data. For example, in order to include a broader spectrum of teachers in performance-pay programmes than those who teach subjects and grade levels in which there are standardised tests, many districts are incorporating Student Learning Objectives into their programmes. In this approach, each teacher must analyse data specific to students in his or her grade and subject area. Referring to these data in collaboration with principals or mentors (such as master teachers or academic coaches), teachers will establish two to three goals for the year. Benchmarks for success are established and specific evaluation instruments are created, if necessary. Performance-award payouts are linked to the degree to which teachers are successful in meeting the data-based goals. Districts that have incorporated Student Learning Objectives into a performance-award programme have seen substantial improvements related to student data and instructional planning.

COMPONENTS OF HIGH-QUALITY PERFORMANCE PAY PROGRAMMES

The following list displays what school, district, state, and national/federal education leaders identify as components of high-quality, performance-pay programmes. These are essential elements to consider in the construction and implementation of a performance-pay plan. Further, they provide an experience-based endorsement that there is no one-size-fits-all model for teacher-incentive systems. Rather, they indicate that with collaborative planning, local customisation, and systemic integration of a variety of models can be successful.

- The performance-pay plan is framed as a school-improvement strategy, part of the district's larger human-capital-development system, and directly aligned with core instructional goals at the district and school levels.
- Multiple, valid and reliable assessments of student learning are used to measure teacher, team, and school effectiveness.
- Orientation toward value-added measures of teacher effectiveness, coupled with use of these data beyond pay determination, such as the identification of effective practice, domains for potential improvement, and evaluations of professional development experiences.
- Inclusion of rewards other than financial, such as a supportive environment, mentoring, and strong, consistent leadership.
- Continual programme appraisal and improvement, and sustained collaboration with key stakeholders, including union and association members, supported by a comprehensive and accurate data system that ensures stakeholders that the information used to make performance-award decisions is accurate, valid and reliable.
- Multiple award levels (individual, team, school) and opportunities for choice (a resource teacher may collaborate with a core teacher to establish student learning objectives, or receive school-based award).
- Support for each performance goal through targeted professional development and ongoing training for performance assessors.
- Ongoing communication with all stakeholder groups in multiple formats targeted to specific stages of programme implementation (such as the initial programme overview, verification of measurements and test data, and the payout process).

Appendix A contains a checklist of specific questions that may be useful to schools, districts, states/regions or nations designing performance-pay programmes. The first level of decisions focuses on: who should be involved in design and implementation, how decisions will be made, where necessary resources may be obtained in the short term and for sustained implementation, when major project milestones are to be completed and how programme effectiveness is to be determined. The checklist identifies questions that should be asked at a more detailed level as specific components of the plan are developed.

21ST CENTURY EDUCATOR PAY FOR PERFORMANCE PLANS: PERMANENT PROFESSIONAL PRACTICES OR EPHEMERAL POLICY PROPOSITIONS?

For a variety of reasons, including increased accountability demands and struggling economies, teacher pay has now come to centre stage in the education policy arena. Nevertheless, given the pervasive and persistent nature of the conventional salary schedule, and negative precedents set by prior single-salary replacement efforts, presently operating compensation practices may not give way quickly. The discussion in this section focuses primarily on **U.S.** examples with implications for an international audience.

The principal question for this section of the chapter is: will contemporary educator pay-for-performance reforms persist and be adopted widely as a productive policy innovation for public education? Historical and political perspectives based on experiences in the **U.S.** suggest that the likely answer to this question has much to do with fluid factors such as what is meant by “pay-for-performance,” support of elected officials, forthcoming validation from the research community on the impact of performance pay, and the history of lessons learned from practical implementation.

Political perspectives. Pay-for-performance, given its controversial past and high visibility among the general public presence, is a potentially volatile political topic. Moreover, the degree and nature of the political dynamics that surround it may determine its future persistence.

Since 2000, performance pay has enjoyed high visibility in the **U.S.** and has had champions from the executive branch (mayors and superintendents, governors, and the United States President), as well as state and federal legislative advocates. Prominent members of both major political parties have been supportive. This support has resulted in state performance-pay regulatory mandates, government and philanthropic financial incentives, and a great deal of positive rhetoric from highly-placed elected officials. The current U.S. Administration has signaled clear support for the idea, or at least selected parts of the idea. This high degree of political support has enabled performance pay to spread among the states, mitigate several pockets of resistance, and so far, to be sustained.

IRON TRIANGLES, HIGH POLITICS, POLITICAL CHAMPIONS, AND TRANSACTION COSTS

Political processes are fluid and may be played at varying levels of intensity, engagement, and visibility. Political stages may be viewed as a continuum with scenarios involving relatively low citizen participation levels and restrained media attention and visibility on the left and high visibility and widespread public engagement matters on the right. In such a scenario, “iron triangle” dynamics are anchored on the left and so-called “high politics” reside on the right, as depicted in Figure 7.9.

Iron triangles. The “iron triangle” of politics refers to the almost unstoppable coalition of elected officials, bureaucratic managers, and interest group beneficiaries who associate in support of or in opposition to government programmes. A critical mass of interest-group representatives cutting across these three sectors can virtually assure passage and sustained funding, or failure, of a programme, as long as the issues involved are not highly visible, overly expensive, or controversial. The “iron triangle” thrives in the absence of widespread public scrutiny and outside the glare of intense media coverage. “Iron-Triangle” politics are insider politics, the politics of micro change, incrementalism, omissions, or adjustments to the status quo (Koppich and Guthrie, 1990).

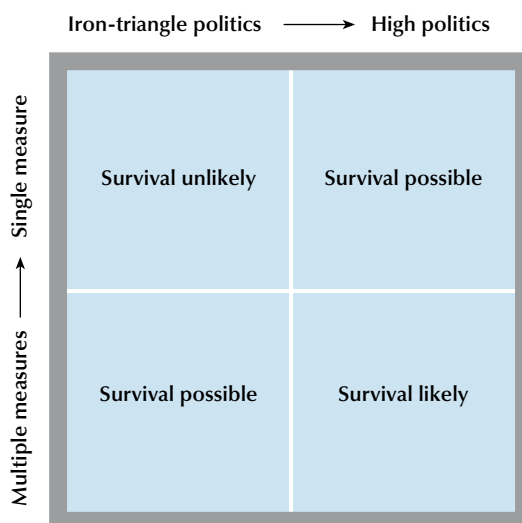
The influence of the “iron triangle” is often reinforced by the high transaction costs attached to controversial political issues, performance pay included. The perceived returns, possibly attracting larger numbers of more able teachers at a later point, and the unknown odds of obtaining higher levels of student academic performance are seldom perceived by local citizens and parents as justifying the effort and informational opportunity costs involved in advocating for and sustaining performance pay. Performance pay programmes are sustained only if there are high-level political champions who can galvanise and sustain widespread political support.

Conversely, the risks perceived by local-level, performance-pay opponents are sufficiently intense as to justify their sustained and organised political opposition to performance pay. While this discussion refers to politics within the **U.S.**, many features are applicable to other OECD countries as well.

High politics and political champions. A select few issues gain extraordinary political attention and become affixed to the agendas of major political parties, legislative bodies, and executive branch officials. These issues come to attract unusually high media attention and public awareness. This is what Kingdon (1984) describes as “high politics”. When this happens with issues such as economic growth, ecological threats, military actions, or even education policy, engagement of multiple constituencies can become sufficiently intense as to overwhelm whatever position, supportive or oppositional, of iron triangle participants. Influential political players own big policy issues, and the iron triangle can be swamped as a consequence. This is particularly so if a major league politician, be it an individual or organisation, emerges to champion a cause. In high politics, political parties or government agencies assume the high transaction costs that work against widespread local citizen participation in iron triangle issues.

Figure 7.9

Political and measurement dynamics of performance pay



POSITIONING PERFORMANCE PAY ON THE POLITICAL CONTINUUM

In the **U.S.**, present day pockets of opposition to performance-pay include professional educators and their local, state, and national political action and organisational allies and for elected allies. Political proponents are, commonly higher-level government officials, fiscal watchdogs and taxpayer advocates, and the state and national business communities.

If performance-pay political dynamics are contained within the local, state, or national interest-group-dominated conventional iron triangles of politics, then its future may be at risk. Within this sphere, narrow interests dominate, and if the narrow interests are negative, then they may prevail.

However, if for whatever reason, performance pay persists as a topic of interest and is on the action agenda of those in the higher echelons of politics (major party officials, mayors, governors, city councils, state legislatures, congress, and the President), its shelf life within the policy system may be extended.

THE POLITICAL VALENCE OF HOW PERFORMANCE PAY IS PRACTICALLY PORTRAYED

Performance pay is not articulated as a precise policy. Multiple teacher compensation arrangements may cluster under this banner. These various performance-pay arrangements, however, can be arrayed on a continuum, with their dependence upon the number and kind of performance measures and reliance on student academic achievement measures on the scale as the trigger for higher pay. This continuum forms the second axis of Figure 7.9. One end of the continuum is anchored by the example of Little Rock, **Arkansas**, in the U.S. In Little Rock's Meadow Cliff School, each student in a class carries a bounty, e.g. a dollar reward for which the individual classroom teacher is eligible if the student achieves a predetermined goal for improved test scores in a given subject matter. Teachers know the premium value of each student's scores. Their prospective performance pay reward is linked to little else. This would be considered the 'hard' end of the continuum.

Denver, Colorado's celebrated ProComp plan illustrates the other end of the hard/soft measure continuum. In Denver, a teacher's potential salary premium is only modestly influenced by direct measures of student achievement and is more a consequence of an individual teacher and her school colleagues achieving various collective goals. Below is the manner in which the 13 February, 2008, issue of TIME magazine described the Denver plan:

For Taylor Betz, the program is a no-brainer. A highly regarded 15-year veteran who teaches math in the city's struggling Bruce Randolph School, Betz can rack up an additional USD 4 268 this school year if she and her school meet all their goals. That includes USD 1 067 for working in a high-needs school, another USD 1 067 if students in her school exceed expectations on the state exams, USD 356 if she meets professional academic objectives she helped set in the beginning of the year, USD 1 067 if she earns a good evaluation from her principal [*i.e.*, school leader] and USD 711 if her school is judged to be a 'distinguished school', on the basis of a mix of criteria that includes parent satisfaction. (Wallis, TIME Magazine, 2008)

The Milken Family Foundation's Teacher Advancement Programme (TAP) occupies a midpoint on the hard/soft, simple/complex continuum. Its four teacher-related reward dimensions take into account both professional processes and student achievement outcomes. The greater a performance-reward plan's dependency upon a single teacher measure, particularly if that measure is student standardised test scores alone, the higher the opportunity for measurement error, goal displacement, and other dysfunctional conditions such as those described by Rothstein in his paper "Holding Accountability to Account". (Rothstein, 2008).

Most importantly for these analyses, the higher a performance-pay plan's reliance upon a single teacher-appraisal criterion, particularly if that criterion is a student-achievement measure, the greater the likelihood of educator hostility to the programme. Conversely, the greater a programme's reliance upon multiple performance measures, and the less weight given to standardised test scores in the equation, the higher the likelihood of educator acceptance.

Added complexity stems from conditions that render performance pay more acceptable to professional educators: multiple measures of process and minimal reliance upon measures of student outcomes. This likely dampens the enthusiasm of non-educators. Non-educator performance-pay proponents frequently desire simpler measures and almost always want to include students' standardised test scores.

THE POTENTIALLY POWERFUL, BUT UNPREDICTABLE, IMPACT OF RESEARCH EXPERIMENTS AND EXPERIENCE

Several conditions complicate efforts to calculate the potential persistence of performance pay, among which are the implementation experiences of performance pay programmes and the potential consequences of scientifically conducted research.

Operational experiences. Whereas success is difficult, failure is easy. If pay for performance is to trigger successes, such as elevated interest in teaching as a profession or higher student academic achievement, it will take time. Significant short-run successes should not be expected from such a fundamental and complicated change. Ironically, however, while the challenges to successful performance pay are many, the road to performance-pay failure is easy.

The changes in school district operation needed to support and sustain performance pay are varied. These include attention to measurement, data infrastructure, financial and accounting accuracy, public relations, and teacher engagement. Failure on any of these dimensions can severely jeopardise the success of a new remuneration system. There have already been notable failures, instances where teacher financial rewards were badly miscalculated. Indeed, there is even a school district that not only miscalculated teacher performance pay premium payments, but also, upon learning of overpayments, mandated that teachers pay the unearned money back. A critical mass of such visible miscalculations could spell doom for performance pay.

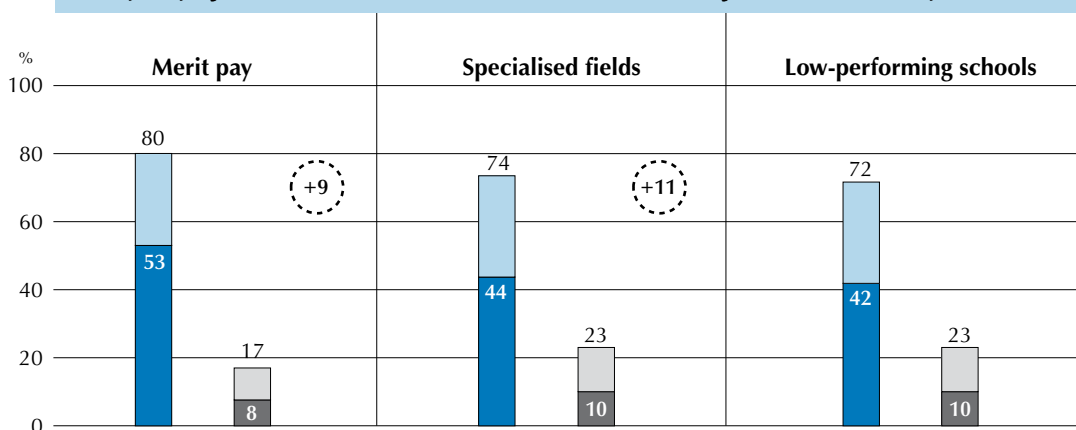
Figure 7.10

Survey results regarding support for added pay for teachers

■ Strongly support ■ Somewhat support ■ Strongly oppose ■ Somewhat oppose

Q.26-28

Do you support or oppose: paying teachers who work in specialised fields, such as math and sciences more money; paying teachers who demonstrate proven success in the classroom more money; paying teachers who choose to work in low-performing schools more money?



Source: Global Strategy Group, 2008.

Research results. Present day political support for performance pay is perched precariously in the U.S. Scientifically conducted research, conducted objectively and to high standards, could influence the persistence of performance pay. This is true whether the research results are positive or negative. In the U.S., the **Tennessee STAR** study, one of the few true experiments in education, has had enormous policy influence; in some ways too much influence as advocates have used these experimental results to gain support for smaller classes even when doing so stretched the generalisability of STAR findings (Zaharias, 1999). Regardless of the research outcome, such studies will be subjected to the most intense scrutiny imaginable as performance-pay protagonists and opponents undertake analyses. This interest, however, is testimony to the potential significance such research can play in the policy realm.

Finally, there is the matter of **popular support**. Figure 7.10 displays results of a 2008 poll displaying that the majority of the public in the U.S. is favourably disposed to performance pay. The figure highlights greater support for paying teachers who demonstrate success over those who work in specialised fields or in low-performing schools.

THE PATH AHEAD

The future of early 21st century performance-pay plans is subject to the volatile interaction of fluid political dynamics and the kind of performance pay involved. It is possible to conceive of scenarios in which performance pay survives and flourishes and other scenarios where it disappears.

Scenario One: Secure Survival (Unlikely)

If performance pay has sustained support from those at the highest levels of the policy system, then it will persist, regardless of design type or research results.

Scenario Two: Immediate Curtailment or Dramatic Modification (Unlikely)

If high-level political support diminishes or disappears, and iron-triangle politics prevail, then performance-pay opponents gain a powerful upper hand. Opponents assuredly will strive to eliminate simplified, single-measure, individualistic plans, as in Little Rock, Arkansas. This is particularly true if scientific research results unequivocally disprove the utility of pay rewards. Professional educators might possibly tolerate more complex evaluation and collective reward strategies, such as TAP and Procomp, if risks to individual teachers were perceived as being sufficiently mitigated.

Scenario Three: Modified Survival (Likely)

A more likely scenario is that political support for performance pay remains muddled, and in such circumstances the creditability of scientific research results and the type of pay plan will greatly influence the shelf life of the idea. The more variables involved in the pay calculation, the more that the plan is collective rather than individualistic, and the smaller role that student academic-achievement measures play, the more likely the strategy will persist.

SYSTEMIC INTEGRATION AND ALIGNMENT: THE SUREST WAY TO PERFORMANCE PAY SURVIVAL

This final section of the chapter addresses interconnectedness between teacher-incentive programmes and systemic human-capital-development strategies, necessary to sustain performance-pay programmes. Returning to the definition of human capital provided early in the chapter, a holistic human-capital-management system in a school district refers to how teachers and school leaders are recruited and selected, hired and placed, offered induction and ongoing professional development; how they are evaluated, compensated, provided with career-advancement opportunities and, when necessary, terminated. Considering the scope of activities listed above, and the interrelated manner in which they impact the professional lives of teachers, one realises that component pieces cannot continue to be viewed in isolation. Instead, policy makers should adopt a coordinated comprehensive approach to identifying, nurturing and sustaining talented educators for a country's schools.

When these activities are not thoughtfully coordinated, as is the case in many district offices in the **U.S.**, any number of undesirable situations can occur. Sigler and Kashyap (2008) illuminate potential negative consequences of such isolation through several realistic scenarios. For example, a district has an excellent recruitment and marketing campaign in human resources, paired with a high level of service for applicants and new-hires. At the same time, this district's office of professional development has inconsistent and poor-quality mentoring and a lack of quality professional-development options for teachers. The result for this imaginary school system, just as it is for most school systems with similar circumstances, is predictable: high turnover. Today's high-quality new-hires quickly become tomorrow's attrition statistics.

In another case, a district could have an effective office of professional development that coordinates high-quality skill-building and training options, but with no connection to the district's teacher-evaluation process. In this case, while evaluations may identify areas for growth, there is no guarantee that teachers will be connected to the district resources that might help them in those areas and, therefore, an opportunity to improve teacher quality and the level of instruction in the district is missed.

Yet another example might be a district that has no problem recruiting elementary-school teachers, but cannot attract enough lower secondary school subject teachers to meet its needs. This same district has human resources doing recruitment, while the office of teaching and learning handles teacher training and relationships with local teacher education programmes. A district like this *must* work with those teacher preparation programmes to address the inadequate supply of middle school teachers. Options include encouraging current and incoming teacher candidates to consider coursework for a middle-school certificate or creating streamlined coursework options for current district elementary teachers to become certified in lower secondary school subjects. Both of these options should be coordinated with incentives that the superintendent, teachers' union, and budget office would need to approve.

While coordination of internal district personnel across various programme areas is important, it is also imperative that solid partnerships with external stakeholder groups are developed by programme leaders as part of a comprehensive human-capital strategy. This is important for a variety of reasons related to the fact that districts have finite capacity and domains of expertise and influence. Along the human-capital-development continuum, there are activities at which district personnel may excel and should therefore concentrate their efforts in those domains. They may find it is helpful to work with quality service providers to supplement these efforts. Another way to forge partnerships around human-capital development issues is to engage local teacher association or union leaders in activities such as coaching and the provision of professional development. The partnerships help develop the trust that will enable districts to move forward with innovative, and at times controversial, school-reform initiatives such as performance pay.

As there are many moving parts to a comprehensive human-capital-development strategy, it is helpful to have a conceptual framework to guide this work. Scholars at the Aspen Institute (Wurtzel and Curtis, 2008) have developed a framework for human-capital management in K-12 education that recognises the importance of state and federal policy forces; labour-market conditions and demographic shifts; the teacher-preparation pipeline; district, school and classroom contexts; and incorporates eight essential components:

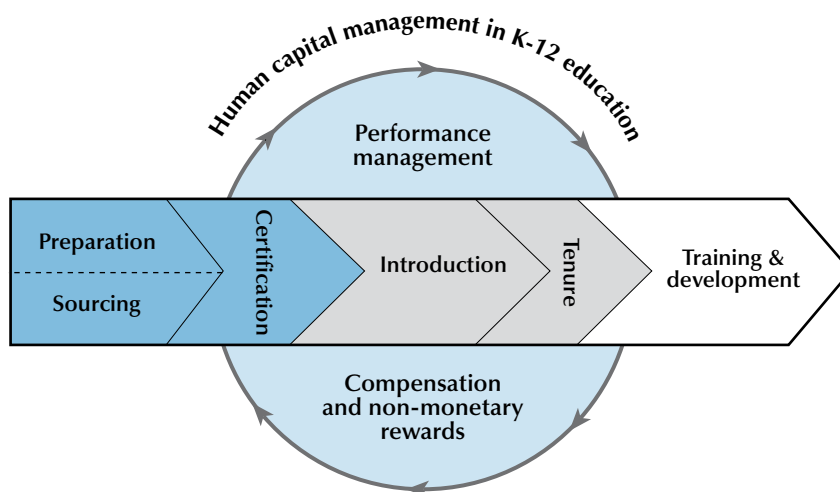
- Preparation.
- Sourcing.
- Certification.
- Induction.
- Tenure.
- Training and development.
- Performance management.
- Compensation and non-monetary rewards.

To implement a system-wide approach to developing the teaching workforce and to elevating student achievement, school systems need to be clear about their mission and goals, and identify and help prioritise the strategies that will help them achieve them. They will also need to align their district and school-support structures with their key stakeholder groups, and form partnership with outside organisations. Certainly, every nation, and each educational organisation will address these challenges in a unique manner. Those using a systemic and strategic approach will address each component individually and collectively to create a comprehensive system.

The Aspen Institute contends that while the human capital framework depicted in Figure 7.11 is organised by components, each component should be considered in relation to the others and in relation to the district's mission and goals. For example, a performance-pay system that recognises high-performing teachers and leaders requires rethinking of evaluation, approaches to assessing key outcome variables, compensation and non-monetary rewards for performance, career-development opportunities, and the creation of a professional culture that celebrates excellence and continuous improvement.

Figure 7.11

Components of the human capital framework



COMPONENTS

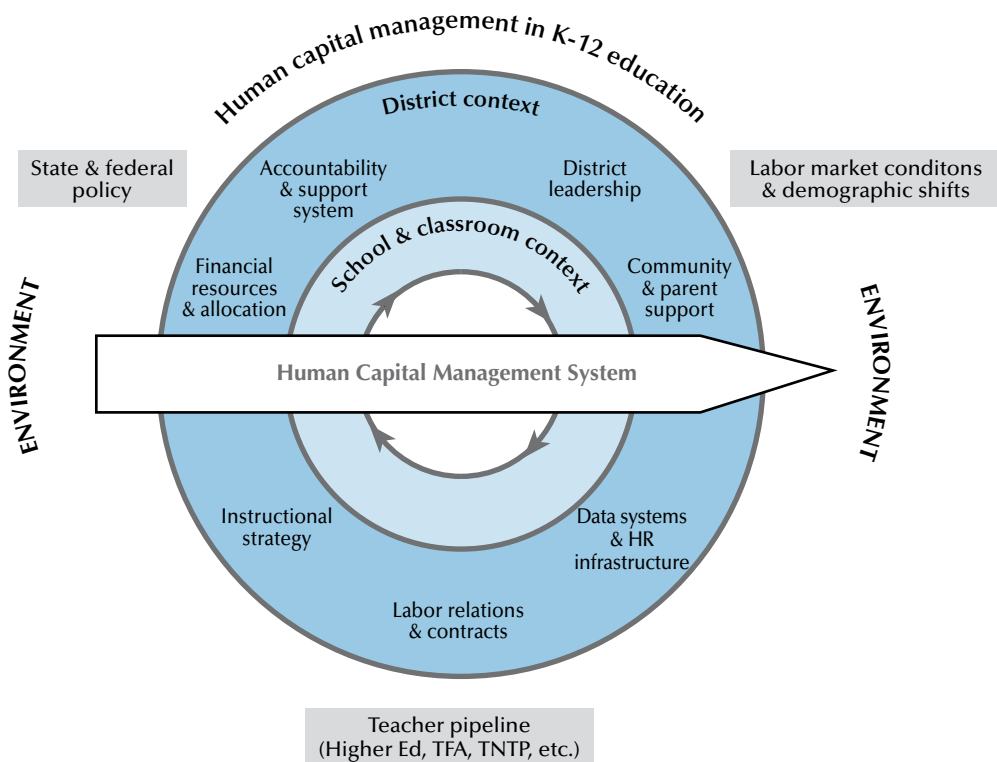
Preparation <ul style="list-style-type: none"> Traditional higher education Alternative certification District-based preparation 	Induction <ul style="list-style-type: none"> Orientation Mentoring Reduced teaching load Differentiated professional development 	Training and development <ul style="list-style-type: none"> Professional development Identification of high-potential employees Career management Career pathways 	Performance management <ul style="list-style-type: none"> Expectation setting Assessment Calibration Feedback Outcomes 	Compensation and non-monetary rewards <ul style="list-style-type: none"> Annual salary and benefits Recognition, growth opportunities, and working conditions
Source <ul style="list-style-type: none"> Marketing Recruitment Screening Hiring On-boarding Deployment 	Certification <ul style="list-style-type: none"> Process managed by state department of education to approve teacher candidates 	Tenure <ul style="list-style-type: none"> Point at which a district commits permanent employment to a teacher 		

Source: Wurtzel and Curtis, 2008.

Thinking holistically also requires that human-capital development and management be considered in the larger contexts and forces that can either support or impede high-quality teaching and school leadership. For example, a district could address every component of the framework without realising significant improvements if it did not address student learning needs, school working conditions, allocation of resources or the development of robust data systems that track and inform improvement efforts. While districts must prioritise and should not address all of the components and contextual issues simultaneously, they must keep the entire terrain in mind as they identify their high-leverage strategies. These forces are depicted in Figure 7.12.

Figure 7.12

Contexts and forces of the human capital framework



Source: Wurtzel and Curtis, 2008.

By laying out a picture of the full terrain of human-capital development and management of teachers, the framework can promote fundamentally different dialogue about this issue. The framework is intended as a tool to help educators and vested stakeholders organise their thinking about the full scope of the issue, assess the work they are currently doing, determine where and how to first focus their efforts, and develop a long-term strategy that ultimately addresses all elements.

Wurtzel and Curtis (2008) contend that a comprehensive human-capital-development and management system will require a dramatic shift from a system that currently measures its performance by how many people apply for positions to one that values demonstrated success and is explicitly organised to recruit, develop and retain effective teachers and school leaders. Across the spectrum of OECD nations, the way this shift is managed will be informed by local and regional contexts, be oriented to different priorities, and employ culturally and situationally appropriate strategies. While the approaches may vary, the fundamental goal of an effective teacher in every classroom is universal.

Hopkins and Ahtaridou (2008) echo the importance of alignment in their report on the implications of **England's** teacher incentives for **Mexico**, concluding that it is essential that any policy regarding teacher incentives be well integrated with other policy and reform initiatives. Policies on teacher incentives need to be well coordinated with other aspects of the overall reform agenda. Policies on teacher incentives, however good, cannot by themselves have a direct impact on student achievement and social equality; they have to form part of a more comprehensive reform programme (Hopkins and Ahtaridou, 2008).

CONCLUSION

This chapter ends with a return to the start, emphasising once again the tremendous importance of teacher effectiveness – for every student and for societies. We have sought to emphasise that if a reward structure for educators is insufficiently aligned with or even antagonistic to an organisation's core purposes, the risk is high that resources will be wasted and goals unfulfilled. Financial resources are too limited, and the task of educating youth is too important for schools to be plagued by inefficiency and ineffectiveness. As such, it is imperative that educator pay and incentive programmes be aligned with holistic approaches to building human capital and elevating student performance; that they are responsive to influential contextual forces, and that compensation systems and human resource management continue to be utilised as valuable tools for enhancing teacher effectiveness and elevating student achievement.

ANNEX 7A**PRACTICAL PREPARATION FOR PERFORMANCE PAY PROGRAMME IMPLEMENTATION**

Each item in the checklist³ below may assist districts and schools with essential elements of planning, design and implementation of a performance-pay programme. This checklist identifies the major components of an alternative educator-compensation plan and the steps of planning, design, and implementation. Before launching a new compensation system at the school or district level, we recommend that nations, states or regions and districts use this checklist to discuss and decide:

- who should be involved on the planning, design and implementation teams;
- how decisions will be made;
- where necessary resources will be obtained, both immediately and for long-term sustainability;
- when major project milestones will be completed; and
- how programme effectiveness will be determined.

Once these key decisions are made, the appropriate teams should consider the following questions relating to both general and specific components of performance-pay programmes:

A. Overall plan components

- 1. Have programme developers identified a project director? Does he or she have sufficient authority to make decisions?
- 2. Are individuals at the upper levels of district or institutional leadership informed, engaged, and committed?
- 3. Have programme developers agreed upon the type and size of performance rewards?
- 4. Have programme developers identified and agreed upon the measures you will use to assess group or individual performance?
- 5. Have programme developers determined how much the new reward system will cost, overall and per year? Have you identified sources of funding and secured the necessary commitments?
- 6. Have programme developers created a representative compensation committee to ensure that you have the necessary buy-in and support from teachers and principals?
- 7. Do programme developers have a comprehensive public information and media communication plan in place?
- 8. Do programme developers have sufficient capacity in the areas of information technology, testing, and research to implement and evaluate a new compensation system?
- 9. Are other relevant organisational components aligned, such as Human Resources, Payroll, Research and Evaluation, Curriculum, and Testing departments?
- 10. Have programme developers developed an appropriate and comprehensive evaluation design?
- 11. Have project staff and leadership agreed to incorporate feedback from the evaluation and undertake mid-course corrections?
- 12. Have programme developers established benchmarks to assess project progress?

B. Stakeholder approvals and engagement

- 1. Have programme developers assembled a representative compensation committee that includes school district officials as well as the teachers and/or principals whose salaries will be affected by the new plan?

- 2. Have programme developers invited the following individuals and groups to serve on the committee so that they are active participants in discussions, planning, and decisions from the beginning?
 - a. Superintendent
 - b. Teacher union/association representatives
 - c. Additional teachers
 - d. Principal(s)
 - e. Other central office personnel
 - f. School board members
 - g. Other community representatives
 - h. State or municipal officials, if necessary
 - i. Other _____

C. Communication plan

- 1. As part of your communication plan, have programme developers developed information that clearly explains to teachers and principals the criteria you are using to determine which educators are eligible for a performance award, and what they must do to earn one?
- 2. Have programme developers developed information that clearly explains the professional development opportunities you are providing to help teachers and principals improve their performance so that they can earn a performance award?
- 3. As part of the communication plan, have programme developers developed information specifically for parents that explains how the new educator compensation works and why you are implementing it?
- 4. Does your communication plan include multiple means of distributing information to educators and the public (e.g. brochures, pamphlets, newsletters, website)?
- 5. At a minimum, does your communication plan include regular meetings with teachers and principals so that they can ask questions and raise concerns? Does it also provide other ways for educators to gather information quickly and easily (e.g. confidential telephone hotline, convenient after-school drop-in sessions, trained individuals at each school site who can answer questions)?
- 6. Have programme developers developed a strategy to explain the new compensation system to the media and to explain how awards were determined when you are ready to distribute them?
- 7. Does your communication plan include strategies to sustain the new compensation system by building support for it among policy makers, the business community, foundations, the public, and other key stakeholders?

D. Reward structure

- 1. Have programme developers decided which and how many educator positions will be included (e.g. all classroom teachers, only teachers of core academic subjects, paraprofessionals as well as teachers, assistant principals as well as principals)?
- 2. Have programme developers decided whether you will reward individuals, groups, or both? If you are planning to reward groups of teachers, have you decided which groups (e.g. all teachers in the school, all mathematics teachers in the school, all 4th year mathematics teachers in the school)?
- 3. If you intend to reward all teachers or groups of teachers, have you determined how you will evaluate the performance of those who teach non-tested subjects and year levels (e.g. preschool, art, music, physical education, 5th grade science)?
- 4. If your compensation plan will exclude any individuals or groups, have you developed a clear justification that explains why?

- 5. Have programme developers agreed upon the size of the rewards that will be offered?
- 6. Have programme developers decided to offer any non-cash awards? If so, what will they be (e.g. housing incentives, tuition assistance, tax incentives, additional credit toward retirement)?
- 7. Have programme developers decided whether the new compensation system will be voluntary or mandatory? Have you decided to phase in the new compensation system as new teachers are hired, or switch all teachers to the new system at the same time? Will current teachers be allowed to opt out if they want to remain under the present pay system?

E. Financial consequences

- 1. Have programme developers identified the sources of funding that you will use to pay for the new compensation system?
- 2. Have programme developers calculated the maximum cost of the new compensation system, year by year?
- 3. Have programme developers decided how the rewards will be paid (e.g. one-time bonus; permanent increase to base salary; premium for teachers of hard-to-fill subjects in addition to their regular salary; in-kind payment made in the form of goods and services, rather than cash)?
- 4. Have programme developers decided whether rewards will count toward individual pensions?
- 5. Have programme developers determined how close to the period of performance the rewards will be paid?
- 6. Have programme developers identified the agency that will actually pay the rewards (e.g. state or region, school district, independent or community foundation)?

F. Performance measures

- 1. Have programme developers determined whether student achievement will be measured as absolute or as relative growth (e.g. percentage of students who score at or above proficient in reading vs. percentage of students who exceed expected growth in reading)?
- 2. Have programme developers decided upon the method that you will use to measure student achievement (e.g. value-added, gain scores)?
- 3. Have programme developers identified the tests that you will use to measure student academic performance?
- 4. Have programme developers agreed upon the other sources of information that you will use to assess educator performance over time?

Examples:

- a. Supervisors' judgments (e.g. principals, mentor teachers)
- b. Peers' judgments
- c. Other _____
- 5. Have programme developers identified the teacher or principal evaluation instrument(s) that will be used?
- 6. Have programme developers developed a plan for training the individuals who will be using these instruments to evaluate teacher and principal performance?
- 7. Have programme developers determined whether other teacher and administrator actions will be rewarded, and if so, how you will weight them?

Examples:

- a. Completes specific professional development activities
- b. Assumes additional roles and responsibilities (e.g. master teacher, mentor teacher)
- c. Works in a hard-to-staff school
- d. Teaches hard-to-fill subject or specialisation (e.g. mathematics, science, special education, bilingual education)
- e. Other _____

G. Information technology considerations

1. Decision support needs

- a. Does your accountability system provide timely data for effective data-based decision-making? For example, are diagnostic test results available in time and in the right subject areas to allow school staff to identify students who need additional support to pass high-stakes tests?
- b. Are data available at the appropriate level of specificity? For example, does your data system enable you to link students to teachers to subjects taught so that you can identify which teachers to reward when student performance improves? Can you do this at both the elementary and secondary grades?
- c. Are multiple forms of evidence or data included in any evaluation of performance?

Examples:

- Value-added measures
- Observational/evaluative ratings of teachers and school leaders
- Adequacy of classroom resources
- Portfolios or other examples of student work
- School and classroom climate

2. Reporting applications

- a. Does your information-technology system allow you to go beyond basic compliance reporting and evaluate curriculum effectiveness, success of teacher induction practices, etc.?
- b. Are formal or informal processes in place to identify the data and reporting needs of individuals at varying levels of the organisation (e.g. district administrators, school principals, individual classroom teachers)?
- c. Does the data collection design process include capacity for future growth? Does your district have the ability to collect either additional data or existing data more frequently? Does the system development process allow users to define new information needs?

3. Technical considerations

- a. Have programme developers determined who needs information or data access and from where? Do you have a governance system in place to respond to changing needs?
- b. Are the systems used for creating and viewing reports available at the school and classroom levels?

4. Organisational considerations

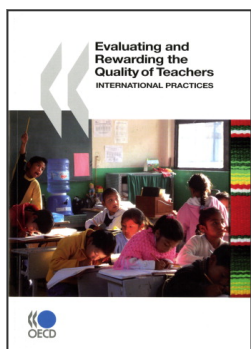
- a. Have information-system users been an integral part of the design process?
- b. Have decisions been made regarding school versus year versus classroom value-added information?
- c. Do data-systems managers have performance and use targets that will inform them of the effectiveness of the system?
- d. Do programme developers have a data-dictionary system in place that contains information about the stored data, including details of its meaning, its relationship to other data, and its origin, usage, and format? Is a process in place to capture and incorporate change?
- e. Does the group charged with developing and deploying decision support resources have access to senior decision makers in the district?
- f. Do senior district leaders support the creation of cross-functional teams (for example, groups that include curricular specialists with information technology and accountability staff)?

NOTES

1. These and related design and implementation components are explained in greater detail in the Guidebook section of the Center for Educator Compensation Reform website. www.cecr.ed.gov.
2. The Teacher Incentive Fund is a USD 500 million allocation of funds from the U.S. Department of Education that established 34 unique 5-year performance-pay pilot programs across the U.S. The program began in 2006 and is being implemented in 20 different states in a range of districts (from large urban to small rural) and in select individual charter schools.
3. The checklist was created by a trans-institutional team of experts that comprise the Center for Educator Compensation Reform.

References

- Ballou, D.** and **M. Podgursky** (1997), "Reforming Teacher Training & Recruitment: A Critical Appraisal of the Recommendations of the National Commission on Teaching and America's Future", *Government Union Review*, Vol. 17, No. 4, pp. 1-53.
- Hanushek, E.** (2007), "The Single Salary Schedule and Other Issues of Teacher Pay", *Peabody Journal of Education*, Vol. 82, No. 4, pp. 574-586.
- Hopkins, D.** and **E. Ahtaridou** (2008), "Teacher Incentives and Stimuli: the Case of England", paper presented at the International OECD Mexico Joint Conference, The Quality of Education: Workshop on Teacher Incentives and Stimuli, Mexico City, December.
- Kingdon, J.** (1984), *Agendas, Alternatives, and Public Policies*, Little Brown, Boston.
- Koppich, J.** and **J. Guthrie** (1990), "Examining Contemporary Education Reform Efforts in the United States", in H. Beare and W. Boyd (eds.), *Restructuring Schools*, Falmer, Bristol.
- National Center for Education Statistics** (2006). "Projections of education statistics to 2015", U.S. Department of Education, Washington, DC, http://nces.ed.gov/programs/projections/projections2015/tables/table_28.asp, accessed 2009.
- National Center for Education Statistics** (2009), "The Condition of Education", U.S. Department of Education, Washington, DC, <http://nces.ed.gov/pubs2009/2009081.pdf>, accessed 2009.
- OECD** (2001), *The Well-Being of Nations: The Role of Human and Social Capital*, OECD, Paris.
- OECD** (2008), *Education at a Glance: OECD Indicators*, OECD, Paris.
- Pavez Urrutia, J.** (2008), "Incentives and Motivation for the Professors: The Chile Case", paper presented at the International OECD Mexico Joint Conference, The Quality of Education: Workshop on Teacher Incentives and Stimuli, Mexico City, December.
- Rothstein, R.** (2008), "Holding Accountability to Account". *Research Brief for the National Center on Performance Incentives*, <http://www.performanceincentives.org>, accessed May 2009.
- Santibáñez, L.** (2009), "Teacher Incentive Programs in Mexico: Evidence and Prospects for Reform", paper presented at the International OECD Mexico Joint Conference, The Quality of Education: Workshop on Teacher Incentives and Stimuli, Mexico City, December.
- Sigler, D.** and **M. Kashyap** (2008), "Human Capital Management: A New Approach for Districts", *Human Capital*, Vol. 20, No. 1, pp. 5-12.
- Vegas, E.** (2007), "Teacher Labor Markets in Developing Countries", *Excellence in the Classroom*, Vol. 17, No. 1, pp. 219-232.
- Wallis, C.** (2008), "How to Make Great Teachers" *TIME Magazine*, 13 February 2008, <http://www.time.com/time/nation/article/0,8599,1713174-4,00.html>.
- Wurtzel, J.** and **R. Curtis** (2008), "Human Capital Framework for K-12 Urban Education: Organizing for Success, A Working Draft", Aspen Institute, Washington, D.C. Retrieved May 2009 from, <http://www.aspeninstitute.org/publications/human-capital-management-k-12-education>.
- Zaharias, J.** (1999), "Project STAR: The Story of the Tennessee Class-size Study", *American Educator*.



From:
**Evaluating and Rewarding the Quality of Teachers:
International Practices**

Access the complete publication at:
<https://doi.org/10.1787/9789264034358-en>

Please cite this chapter as:

OECD (2009), "Professional Educators and Their Pay: Policy, Implementation and Alignment Issues", in *Evaluating and Rewarding the Quality of Teachers: International Practices*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264034358-9-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.