



# It's More Than Money

## Making Performance-Based Compensation Work

William J. Slotnik Community Training and Assistance Center

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Center for American Progress



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# Introduction and summary

Discussions on educator pay-for-performance are heating up in Washington and in statehouses around the country. Yet the national discussion is showing evidence of the same misconceptions about compensation reform that led to the demise of earlier efforts to introduce performance-based compensation in America's schools.

Too many proposals disregard the fundamentals of large-scale change in systems. They offer piecemeal solutions to closing the achievement gap and improving teacher quality without sufficiently understanding the challenges of implementation and sustainability, or the effect—both intended and unintended—on students, teachers, and schools. These proposals are essentially the latest iteration of a long-recurring problem in education reform: the quick fix that doesn't fix.

Gaps between the goals of compensation policy and practice on the one hand and organizational results on the other have characteristically come from under-conceptualizing what is involved in performance-based compensation. These gaps generally come from three underlying assumptions.

First, many past and current initiatives have been based on the belief that compensation is the primary incentive for teachers to perform at higher levels. This belief has generated a simplistic debate over how much is too much and how much is too little in the way of incentives. It perpetuates a consistent misperception about motivation because more is involved in providing incentives to teachers than money alone.

Second, numerous approaches have been punitive or simplistic in design, implementation, or marketing. This is one reason that teachers and unions have frequently opposed efforts to link learning and compensation. Teachers have often seen these efforts as professionally insulting and as misunderstanding what leads to improved performance.

Third, most districts have treated performance-based compensation as a reform that can be implemented essentially as a stand-alone initiative, without making major changes in how the rest of the district functions. Such assumptions have proven flawed.<sup>1</sup>

The impact of performance-based compensation comes from anticipating the consequences of the reform for the entire district. Performance-based compensation involves

more than recognizing excellence in teaching; it should expand the system's overall capacity to support classrooms and improve teaching quality. An effective and sustainable strategy for recruiting, retaining, and rewarding excellence in teaching will provide a fertile ground where teaching thrives as a profession and is nurtured at a greater level of excellence and scale.

We cannot squander yet another opportunity to introduce meaningful performance-based compensation into the teaching profession. Instead, we need to ensure that efforts are formulated on the basis of the best practices that we have to date, and that they avoid the known and recurring pitfalls. This recognition is particularly critical given the mounting interest in integrating human capital reform with school improvement in the reauthorization of the Elementary and Secondary Education Act.

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### Six cornerstones of an effective performance-based compensation system

The lesson of performance-based compensation is one of institutional change. A focus on student learning, and a teacher's contribution to such learning, can be a significant catalyst for system-wide change—if the initiative also addresses the district factors that shape each school.<sup>2</sup> The six cornerstones of performance-based compensation are at the heart of this finding and the essence of this reform:

- Performance-based compensation is a systemic reform.
- Compensation reform must be done with teachers, not to teachers.
- Compensation reform must be organizationally sustainable.
- Performance-based compensation must be financially sustainable.
- A broad base of support is required in the district and community.
- Performance-based compensation must go beyond politics and finances to benefit students.

Connecting teacher compensation to classroom, school, and district effectiveness is a step forward in thinking, but it requires an even more significant leap forward in implementation know-how, institutional change, and policy development. The cornerstones provide the basis for developing district and state capacity to implement and sustain innovative practices, and to be accountable for improving student achievement. The cornerstones have specifically evolved from the Community Training and Assistance Center's 30 years of experience in national school reform.

The challenge ahead for both district practice and public policy is to successfully overcome the misunderstandings and myths surrounding the link between what teachers earn and what students learn, and to create the conditions needed to realize the potential of performance-based compensation.

# Performance-based compensation is a systemic reform

Performance-based compensation is more than a part of reform; it is a catalyst for reform. It is mischaracterized and misunderstood when presented as a financial silver bullet or programmatic magic wand. Its power comes not from the influence of a particular financial incentive, but because changing how a workforce will be paid rivets a district's attention.

The key to successful implementation of performance-based compensation is to use that attention as a lever for broader system changes. Compensation is a critical lever, yet addressing compensation alone will not solve the systemic problems that cause chronic low student performance. Isolating compensation from other supports to schools and classrooms, and focusing on rewards tied to achievement as measured solely with standardized tests, has led to a long history of failure and unnecessary controversy rather than improved schools and greater teacher effectiveness.

Yet a systemic approach to this reform has the potential not only to improve compensation, but more importantly, to support the central mission of the district to improve student achievement. It involves making significant changes in district systems—from instruction and assessment to professional development and human resources—so that the systems are more demonstrably effective in strengthening classrooms. Such an approach requires extensive coordination and performance improvements within the district administration, open communication among all stakeholders, and a willingness to experiment—to take the time to learn from initial efforts and make necessary changes as the system develops and matures.

There is also an attitudinal element that performance-based compensation must address. Many educators confess a cynicism about compensation reform. It is often born out of their views of previous district compensation efforts and of the many activities and mandates currently being enacted—particularly in large districts—that are characteristically perceived as being “layered onto” existing strategies without enough clarity as to how all these reforms fit together.<sup>3</sup> This perspective is often based in fact and presents a challenge to the successful launch of a compensation initiative. But these misgivings can be mitigated if school leaders directly address them.

The recognition of performance-based compensation as a lever for systemic reform has several salient implications, including:

**Executive and policy leadership.** The failure of many compensation reform efforts to gain traction and become institutionalized within districts is often attributable to the lack of whole-hearted ownership by executive- and policy-level decision-makers. Making explicit the expectations for district leaders and policymakers benefits everyone.

**Superintendent.** One of the initial indicators of the potential for successful performance-based compensation is the extent of the superintendent's commitment to the reform. Superintendents in the Denver Public Schools in Colorado and the Charlotte-Mecklenburg Schools in North Carolina have made compensation reform a core priority. Advancing the reform is the focus of regular executive-level meetings, and organizational efforts consistently link the reform to the district's other major instructional and system initiatives. In contrast, at a 2008 convening of grantees funded through the Teacher Incentive Fund, the majority of project directors at an urban districts session indicated that they had neither direct nor regular access to their superintendents. If the initiative does not get priority attention at the executive level, it will assuredly have more problems at other operational levels of the district.

**Teachers and the union.** Reform will not take hold at the building level if teachers are cast in the role of passive beneficiaries of the benevolence of the central administration. Providing teachers with leadership opportunities to shape, guide, and evaluate performance-based compensation will anchor reform in the classrooms. Vehicles for teacher leadership are critical and are discussed further in a subsequent section.

**School board.** Concern at the school board level is typically different. The board role is often seen as consisting of one policy decision—whether to support a new direction in compensation. However, unlike many reforms that only require a single board policy action, supporting performance-based compensation involves numerous policy considerations—affecting finances, human resources, instruction, assessments, and more—over an extended period of time.

The board doesn't just oversee the reform; it is a key part of compensation reform. The board's role is to be vigilant in protecting the long-term benefits and needs of performance-based compensation from the short-term exigencies and crises that frequently emerge in large districts and overwhelm systemic initiatives. To ensure informed board engagement, the school boards in Denver, Austin, Texas and Charlotte-Mecklenburg have assigned board liaisons to the reforms. This level of engagement proved pivotal in Denver when, despite multiple superintendent changes in a two-year period, school board and union leadership ensured both a continuing and expanded organizational commitment to pay for performance.

**Steering committee.** Because this is a systemic reform, the oversight body needs to include all key decisionmakers from across the district. Most districts will have a point person or design team responsible for day-to-day operations, but there needs to be a

senior-level group capable of cutting through issues of turf and jurisdiction to ensure that the classrooms are effectively supported and systems are changed to advance the reform. The steering committee in the Charlotte-Mecklenburg Schools, for example, includes teacher and principal leaders, the superintendent's office, and the department and unit leaders responsible for curriculum and instruction, human resources, finance, professional development, accountability, assessment, and communications. All the key decisionmakers—with no middle-level substitutes—are at the table.

**Placement in the organization.** The reform's location within an organization affects the results. The essence of performance-based compensation is to increase the levels of student learning and then reward teachers for their contribution to that student learning. Performance-based compensation is at root an instructional reform. Yet districts persist in placing their initiatives in human resources departments, professional development units, or even outside agencies rather than in their rightful home: the division of curriculum and instruction. This pattern characteristically results in a lack of buy-in and priority support from the department most pivotal to instructional improvement. It is a recurring and classic case of snatching defeat from the jaws of victory.

The quality and breadth of the link to curriculum and instruction will make or break the initiative. Teacher commitment to and success in this reform increasingly become a function of the district's demonstrated ability to provide customized instructional support in response to the needs and priorities that teachers identify at the school sites.

Absent high-quality instructional support, teacher performance is not going to improve regardless of the financial incentive. But the goal is supposed to be increasing the level and breadth of teaching excellence. A district should therefore be explicit in connecting the compensation reform conceptually and operationally to the district's curriculum and instructional priorities. It should also make the connections clear to administrators and teachers.

Understanding and making these connections, and nurturing them through the appropriate priority and placement of the reform in the organization, affects the implementation of the initiative. In Charlotte-Mecklenburg, the process of developing student learning objectives—the bedrock of compensation reform—is designed to make these connections explicit.

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## Readiness and capacity assessment

A key element of compensation reform is building the systemic capacity of the district to be more effective in supporting the schools and classrooms. One of the most important and regularly overlooked starting points is to conduct an assessment of the readiness and capacity of key district systems that are essential to supporting the development and implementation of the compensation initiative.

## Case study: assessment of readiness and capacity

Both the Decatur School District 61 in Decatur, Illinois and the Christina School District in Wilmington, Delaware used the assessment of readiness and capacity as a catalyst for major systemic reform initiatives. Both districts strengthened their organizational capacities based on these assessments. The resulting reform initiatives improved standards alignment and academic rigor, with a demonstrable effect on student achievement.

Following the 2007 assessment in Decatur, student achievement on the Illinois Student Achievement Test rose markedly.

Following the 2003 assessment in Christina, student achievement improved significantly on three independent measures: the Delaware Student Testing Program, Stanford Achievement Test, and Measures of Academic Progress.

Districts' repeated failure to assess and address issues of readiness and capacity on the front end invariably handicaps implementation later. As the compensation reform unfolds, districts belatedly discover that it reaches farther into the organization than originally anticipated. Many of the basics needed for success—both systems and supports—are either not in place or not of sufficient quality in practice to support effective implementation. The result: Initially the participants and eventually the policymakers blame the concept of performance-based compensation for the gaps in readiness and capacity that led to poor design and faulty implementation. There is a legacy of compensation reform efforts in both the United States and United Kingdom that have fallen significantly short of their intended goals for this reason.<sup>4</sup>

The assessment of readiness and capacity extends to the instructional, supervisory, assessment, and professional development units of the district, as well as the technical capacity and usage of the student achievement, human resources, and financial data systems.<sup>5</sup> It enables a district to know where systems and supports are missing or inadequate. This knowledge provides an informed basis for making improvements, thereby frontloading the reform for success.

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### Piloting and scale

Building on the assessment of readiness and capacity, districts face significant challenges of planning, initial piloting, and taking the initiatives to scale with greater awareness of the scope of the work ahead.

The recent national track record in school reform shows that there are inherent risks when a district takes reform efforts to scale beyond its ability to support them effectively. When this happens, participants blame and distance themselves from the initiatives rather than attributing problems to weaknesses in implementation and organizational capacity. Initiating a field test or pilot and then scaling the program requires the ability to understand and address institutional deficiencies from the outset.

There is a well-recognized phenomenon in education of conducting a pilot that either fails to go to scale or evolves into a long-term program that is adopted without any related changes in institutional practice, evaluation of results, or cost analysis. Yet performance-based compensation involves issues of substance that cut across all major district departments and all participating schools. For example, student achievement goals, assessment practices, and district support capacity in instruction, finance, and human resources all need to be examined as the compensation reform is formulated and field tested. A well-crafted pilot provides an opportunity to learn, make mid-course corrections, and improve the performance of district systems.

To take another example, if a district wants to reward contributions to student achievement, questions will arise about what baselines and benchmarks to use; whether the emphasis will be on achieving gain or reaching a target; and whether the basis for performance will be at school, grade, or classroom levels or the individual student level. Questions also extend to the relationship between individual teacher or schoolwide objectives and the curriculum, the school improvement plan, and district priorities. Issues related to employee policies and contracts also emerge.

Addressing complexities such as these and identifying particular responses—and their related organizational and financial cost estimates—focuses the decision-making process. The attention to specifics helps districts develop consensus even when there is initial disagreement on the issues involved. This is also how a district builds momentum for major organizational changes.

That said, there is a disturbing trend nationally of dismissing the nuances of design and implementation, and offering up reforms that do not lead to fundamental changes in central performance or to more effective classroom support.<sup>6</sup> The challenges of teacher quality—recruitment, retention, and rewards—need to be addressed in their complexity; their importance is diminished if alternatives provide the aura, but not the substance, of real change in the performance of systems.

A systemic focus means examining challenging issues, making decisions on the components of the pilot, and identifying how program rollout will occur. Much like a spreadsheet, this requires a set of “if, then…” functions. For example, if student achievement is going to be the anchor of the pilot, then the district will have to make determinations about what level and form of disaggregated data will be required initially, how school staff will be pre-

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## Design and implementation details

Charlotte-Mecklenburg Schools' decision to adopt student learning objectives for compensation purposes led the district to develop detailed protocols and training sequences. These help teachers and principals to define the:

- Student population being served
- Learning content of the objective
- Instructional rationale for the objective
- Instructional strategies to be used in the classroom
- Interval of time when the instruction will occur
- Assessments that will measure the outcome of the objective
- Goal for growth in student achievement.

The district is rooting its initiative in a strong instructional foundation by anticipating and addressing the complexities of compensation reform, and involving instructional leaders directly in the design process.

pared to analyze and use the data, how teachers will be assisted in planning and delivering instruction differently based on the data analyses, and what kinds of relational databases will have the capacity to ascertain progress and impact.

Past and current experience in compensation reform has shown that the devil is in the details. A district shows that it is serious about compensation reform by anticipating and developing organizational responses to the details of planning and implementation.

An example illustrates how this can play out. A number of districts, including Denver, Austin, and Charlotte-Mecklenburg, are awarding extra compensation based on student learning objectives that teachers set and reach annually. If properly implemented, the process can help teachers bring more science to their art, become more systematic and strategic in their instructional decisions, and improve the quality of the outcome.

When a district decides to adopt student learning objectives, it triggers many other decisions related to design and implementation. If the student learning objective is the fundamental building block of the compensation reform, then key decisions lie ahead for district policymakers, including what the objective will look like, what kind of instructional thinking it will engender, what elements or components it will contain, how it will be documented and supported, what reporting mechanisms will be put into place, and who will maintain the integrity of the process.

An added level of reform planning comes from articulating the pilot's specific training and professional development requirements and developing the interdepartmental strategy for addressing them. There is a fundamental difference between training school staff in the mechanics of a new compensation initiative and providing the professional and leadership development needed to deliver and measure improved instruction and make positions and schools attractive to teachers. It is therefore essential to link and integrate these two practices.

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## Bottom line

Systemic reform depends on leadership and ownership. Performance-based compensation is a driver of reform and reaches to every major department in a district. It is therefore important to move beyond traditional organizational silos so that the levels of teaching excellence and the quality of organizational support increase with each phase of implementation.

Effective practice and policy in support of performance-based compensation involves a set of interrelated decisions. These entail concurrently examining policy options, determining levels of readiness and capacity, ascertaining challenges to organizational and financial sustainability, and building institutional capacities in support of the district's instructional goals. Districts that focus systemically on these interconnected issues have the greatest probability for successfully moving to scale.

# Compensation reform must be done with teachers, not to teachers

This cornerstone is the simplest to state, yet the most consistently undervalued. Compensation reform will not be effective merely because a district or state mandates it and provides additional monies for awards. Partners must come to the table and be willing to redefine traditional relationships and create the new forms of collaboration necessary for developing and implementing the plans. This type of partnership requires building the levels of trust and open communication characteristically missing in reform efforts. Trust is often dismissed as an abstract concept, yet it is as central to gaining teacher buy-in for compensation reform as the financial package or the organizational supports.

The role of teachers and teacher leaders is particularly pivotal to the prospects for success. Teacher leaders have to understand how to advance new directions in compensation and school improvement at the same time that they provide traditional supports to their members. They need leadership development in such areas as building consensus, developing and evaluating compensation plans, negotiating new types of contractual agreements, and building sophisticated communication skills that are critically important when dealing with their members and the media.

Union leaders should prepare to be the protectors of quality implementation, as well as teacher rights. In particular, they will need to pinpoint how they can use compensation reform to achieve the goals of supportive school working conditions, high-quality teaching, and enhanced student achievement, and how they can use compensation reform to create a “win-win” situation for both the union and the district. They too must become leading advocates of such reforms.<sup>7</sup>

Teachers have a rightful role as equal partners in compensation reform. There are several dimensions to such partnership, as described below.

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## Interplay between the contract and the reform

In states that have collective bargaining, the teachers’ contract is essentially the policy document for the development and implementation of performance-based compensation. Contracts typically outlast a range of appointed and elected officials: superintendents, school board members, and teacher union or association presidents. Rather than being viewed as impediments, the contracts should be seen as setting the stage for the reform.

The process of collective bargaining in this context both shapes and is influenced by the pilot. The initial collective bargaining shapes the parameters for an initiative in performance-based compensation. The pilot then becomes the basis for experimentation—operating essentially as a skunkworks or driver of creativity within the district—with the support of district management, the union, and the school board. As the pilot is implemented, and protected politically by the same three parties, learnings and findings are then used to make mid-course corrections and improve district systems. The learnings also are used to inform deliberations and negotiations on the subsequent phases of the evolving compensation plan. Denver’s accomplishments highlight the value of this approach.

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## Voices of the schools

Performance-based compensation needs to provide ways for schools’ voices to influence reform. One of the biggest problems that school site educators face, particularly teachers, is that their position or title often precludes them from having a larger influence on the system as a whole. What typically gets lost is the opportunity for the creative thinkers and innovative practitioners at the schools to influence district direction and increase organizational responsiveness. Consequently, reform should be intentionally structured so that teachers’ perspectives and involvement can inform decision-making.

Several vehicles and mechanisms can be used in concert to formalize teacher input and voice.

**Oversight and operations.** Teacher leaders should be a core part of the leadership of the oversight body for the reform. In addition, the senior team guiding the operations and implementation of the initiative should be composed of teachers whose instructional credentials are respected by their peers.

**Surveys and interviews.** Using credible third parties to survey all site-level educators on an annual basis provides a vehicle for hearing from the broad crosscut of teachers on elements valued in a compensation plan and ways to assist schools with greater effectiveness. Unlike annual satisfaction surveys, the goal is to enable teachers to examine and critique the effectiveness of the core services provided by the district to build practitioners’ capacity in the classrooms. Doing so also makes it possible to better understand how teachers’ perspectives may vary based on years of experience, types of schools, or supports received. Interviewing provides additional perceptual data that further inform the survey results.

Conducting surveys and interviews also moves the reform discussion to a more evidence-based analysis and away from various parties’ intuitive assumptions and anecdotes about what is making a difference in the schools. Denver and Charlotte-Mecklenburg have been leaders in using this approach successfully.

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**Working groups.** Active working groups composed of teachers and principals can inform and serve as a sounding board for the development of compensation reform and the desired instructional supports, as well as provide a vehicle for carrying information to and from the broader system. These working groups also reflect both the substance and spirit of a district's commitment to effective two-way engagement and communication. Denver, Austin, and Charlotte-Mecklenburg have all been successful in engaging dynamic school-site educators in strengthening their compensation reforms.

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## Issues of design and implementation

The quality of collaboration matters when moving from concept to practice. It comes into play when evaluating the pros and cons of potential ways to meet the goals of performance-based compensation and in further preparing the district for making a series of highly important and highly visible decisions. The substantive goals of improving teacher compensation can be pursued using a range of strategies. However, not all of these strategies are compatible or equally feasible. Both the organizational demands of implementation and the financial feasibility therefore have to be weighed when assessing their viability. No district has demonstrated the ability to make these decisions solely from a management perspective; they require collaboration with teacher leaders and the teaching force.

Districts tend to gloss over some of the basic starting points in this collaboration. When approached with both the short and long term in mind, the collaborative process begins by identifying and weighing criteria that will be used to screen proposed components in the compensation plan. Such criteria may include:

- The district's near-term readiness to implement the component.
- Potential impact.
- The ability to establish early wins.
- Contractual obligations that need to be honored or amended.
- The importance of establishing a foundation for needed experimentation with new practices.
- The organizational and financial capacity to support and sustain the component.
- The existence of or need for policies to support the component.

These screens can then be used to identify, assess, and weigh various components for inclusion in the new compensation pilot and longer-term strategy. In essence, these components become the foundation of what will become a broader, more comprehensive plan.

For example, the district and teachers together might examine issues of principle—such as equity—and issues of consequence—such as the ability to implement—that are likely to arise. This examination involves exploring and evaluating the merits of the following types of issues that affect the design of a pilot and the components of a plan:

- Should retention bonuses be contingent on some type of status or performance?
- Should hard-to-staff schools have distinctive bonuses?
- Should the same positions and schools be targeted for both recruitment and retention?
- Does the effect of an incentive grow, remain steady, or diminish over time?
- What happens when the bonuses stop? Will teachers perceive this as a pay cut?
- Is the long-term goal a bonus program or possible additions to base compensation?

A collaborative approach develops trust and buy-in, identifies obstacles to effective implementation, increases the shared ownership to develop strategies that address the obstacles, and enhances the prospects for better results. These outcomes differ markedly from both top-down and myopic approaches that heighten divisions, fail to build institutional capacity, and contribute to short-term experiments that do not go to scale.

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### Bottom line

Both practice and policy are most effective when they are based on the understanding that successful compensation reform must be done with teachers, not to them. The multi-tiered approach described above broadens awareness of the compensation plan and its implementation requirements, enables teachers to inform and shape the reform, and develops new levels of trust within the district and community. These measures also provide a foundation for building teacher support for including compensation reform in future contracts, and for securing the private endorsement and public approval needed for sustainability of the reform.

# Compensation reform must be organizationally sustainable

Teacher quality and effectiveness are a function of management quality and effectiveness. This recognition is missing from most of the policy debates on performance-based compensation and teacher quality. Management effectiveness cannot be assumed or taken for granted.

Students and teachers perform at higher levels when a school system is functioning systematically on behalf of the classrooms. Bringing this about requires a dual managerial focus: aligning the organization in support of the classrooms and upgrading the quality of district services to the schools. It also requires clear and widely accepted definitions of what is meant by teacher and management effectiveness—definitions that are lacking in most districts.

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## Alignment and quality

Consider the core requirements of alignment and quality. They include improving the quality of *and* strengthening the relationship between the following:

- Teacher and school objectives.
- How instruction is planned and delivered based on the objectives.
- The instructional help provided to teachers.
- The quality and timeliness of data on student learning.
- The availability and appropriateness of multiple assessment measures that can track individual student gains.
- The substance and relevance of professional development offered to teachers
- The quality of classroom supervision.
- The content of teacher evaluation and its appropriateness to the purpose of the evaluation.
- The connection between student achievement, human resources, and financial systems.<sup>8</sup>

The goal is not just to improve the coordination of services, but to strengthen their quality, as well.

Tying what students learn to what educators earn provides a powerful vehicle for focusing on these issues of organizational alignment. It also requires a district to focus on the twin pillars of effective reform: support and accountability. More is involved than just establish-

ing an accountability target and rewarding annual results; a district has to also intentionally build capacity so that more professionals achieve at higher levels. Failure to recognize the interdependence of support and accountability consistently undercuts the potential of performance-based compensation just as it has undercut the promise of the accountability movement overall.

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## Ownership

The issue of ownership is directly related to the issue of alignment. Understanding and supporting compensation reform needs to become a bottom-line, operational reality throughout a district. Rather than being an additional responsibility piled on what central administrators already are doing, it needs to change what they do.

The fundamental difference between compliance and real ownership is in priority and commitment. When the district approves a design for performance-based compensation and begins implementation, district leadership must identify specifically how the cabinet and each relevant department will address the support requirements, what results are expected, and what the timeframe will be. More is involved than having a list of performance metrics.

What is required in most instances is defining how district resources or practices will be realigned, how departmental priorities will be adjusted, and how current departmental strategies will be modified. These decisions and actions should be incorporated into a cabinet-accountable unified plan of action. This is the kind of effort and leadership that demonstrates ownership. It is essential to making a district's performance-based compensation a success in ways that the reform efforts in so many other districts have yet to achieve.

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## Champions and organizational support

The district should signal the importance of linking compensation to teacher performance by aligning all key organizational units and departments in support of the initiative. Even given the conflicting responsibilities that exist in most large districts, each unit and department must understand that the initiative has unquestioned priority status within the central administration. It must therefore have the same priority status for the unit and department. Meeting this objective means that all affected units and departments—including curriculum and instruction, assessment, accountability, human resources, finance, and communication—support and are held accountable for supporting the implementation of the pilot and longer-term plan.

For example, the superintendent's cabinet, the department heads, and other key stakeholder groups can help advocate for the reform by designating "champions" for the initiative—those who are provided the time, authority, and accountability to identify and implement changes that will accompany compensation reform. These champions must:

- Have the ability and authority to address issues of turf and jurisdiction.
- Bring appropriate parties to the table.
- Ensure that departments respond directly to the needs of the initiative.
- Ensure that decisions are implemented promptly and effectively.

In short, these champions must enjoy the clear support of the superintendent and the cabinet, who in turn must communicate to the entire staff that the initiative will be fully supported throughout the district.

There will need to be particularly clear linkages between the curriculum, instruction, and human resources areas to support implementation of the compensation plan at participating schools. There will be a concurrent need for greater communication and coordination between curriculum staff, the school supervisors, and the professional and leadership development services. Most critically, identifying formal mechanisms among the various departments and units—assessment, curriculum, and professional development—will ensure that principals and teachers learn how to interpret any applicable assessment data and use their results for instructional improvement.

As indicated earlier, increasing the levels of student learning and rewarding a teacher's contribution to student learning depend on organizational and classroom capacity-building. It is this commitment to increasing the levels and extent of teaching excellence that separates true performance-based compensation from more superficial approaches that make financial awards based solely on single test-based comparisons.

Effective launching and scale-up requires anticipating and developing the organizational competencies that will support both the pilot and the subsequent larger-scale implementation of the compensation plan. This also means recognizing and addressing the strains on district systems and culture that emerge during the different phases of implementation.

Spurred by the federal government and foundations, many districts and states are focusing on investments in standards, assessments, and data-driven accountability. Leveraging this investment into scalable and sustainable gains in student achievement requires a parallel investment in strengthening local capacity to use these systems to improve teaching and learning. Doing so is the essence of performance-based compensation.

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### Mid-course corrections

Sustainability depends on organizational change and improvement. In this regard, there are specific national lessons learned in planning and implementing performance-based compensation. Three lessons in particular are relevant to most districts. They set the stage for the mid-course corrections that may be necessary over time to strengthen organizational alignment and quality.

The first lesson is the importance of establishing baseline measurements of student achievement; staffing procedures; related costs; and teacher, principal, and parent attitudes at the outset of the reform. A district can establish these measures and develop methods of delineating outcomes throughout the process of compensation reform. The second lesson is the utility of providing formal interim reports and a final report on the initiative's progress and impact. The third lesson is that it is essential to evaluate both the intended and unintended consequences resulting from the implementation of the new compensation plan.

Performance-based compensation drives reform. Necessary organizational changes are in turn guided by the determinations of whether the components of performance-based compensation are being supported, under what circumstances they are viable, what specific results are being reached in areas ranging from improving student learning to meeting the needs of hard-to-staff schools, and what is required to make their implementation more effective. This analysis includes examining the organizational and financial supports that are marshaled to support effective implementation.

The next phase in developing organizational sustainability comes from establishing priorities based on the results from each successive year of the pilot, the analyses of interviews and survey responses, determinations of the organizational requirements related to increasing the scale of implementation, and the qualitative assessment of the support capacity of district units. The district will next define, determine the roll out, and evaluate the impact of the appropriate intervention and support strategies.<sup>9</sup>

As the initial phase of the initiative comes to a close, it is necessary to define the organizational changes that will be required to implement the reforms planned at a greater level of scale. Because these organizational changes themselves can affect working conditions of teachers, a district will want to evaluate the consequences of implementing the reforms district-wide rather than in expanded phases. Again, the potential impact of performance-based compensation will be compromised if the scale-up is poorly supported or fails to build on lessons learned during the process.

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## Bottom line

Effective implementation requires that systems function on behalf of the schools and classrooms. District leadership and systems need to directly address challenges of organizational quality and alignment.

Both practice and policy have to focus on capacity-building. This need cannot be overestimated. Compensation reform produces organizational strains and brings a district's weaknesses to light. If capacity-building is approached systemically, results can include improvement in student learning on a range of assessments; measurable improvement in

how constituent groups perceive the performance of the district; central administrative systems that have more orientation, reach, and success in supporting the classrooms; and more effective instructional practices that are demonstrably guiding the reform.

When districts understand and address the nuances and complexities of implementation, performance-based compensation works to the benefit of students and teachers. This approach differs markedly from efforts that neither increase the levels of teaching excellence nor fundamentally change management's delivery of services to the schools.

# Performance-based compensation must be financially sustainable

There is perhaps no part of performance-based compensation that is more regularly abused than the approaches to long-term financial sustainability. Some districts wait until the close of a pilot before focusing on sustainability. Others claim that long-term financing will result from foundation grants or cost savings in other parts of the organization. There are districts that encounter difficulties in forecasting costs even during the pilot phase. The history of pay-for-performance is replete with projects that have been terminated for lack of funds. These are recurring examples of poor policy and misguided practice.

If performance-based compensation is tied to student achievement and achievement increases over time, it will cost more than current approaches to teacher compensation based on steps and ladders. Moreover, the source for long-term financial sustainability is public dollars. These baseline understandings need to guide planning for the long term.

Scaling up is a function of pilot success and sustainable financing. Consequently, it is important that there is real clarity regarding the benchmarks that will be used to determine that success and, assuming success in meeting the benchmarks, the financial targets that the district will commit to in order to sustain the reform. Absent such clarity and commitment, teachers lose faith that scaling up will actually occur, both teachers and the broader public begin to question the value of the initiative, and the initiative fails to advance beyond the pilot phase. In this regard, financial sustainability is interconnected with financial credibility; people need to believe that the effort will be sustained.

Planning for long-term financing should begin at the start of the initiative and continue throughout subsequent phases of implementation. It should take into account costs above and beyond those that go directly to compensation changes such as the costs of building new data systems, developing or acquiring new assessments, and expanding professional development opportunities. Preparing for financial sustainability involves the use of human resource modeling and financial modeling—distinct departures from current practice in most districts.

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## Transitioning to a new compensation system

District, union, and board leaders need to make the most informed decisions possible regarding the design and implementation of performance-based compensation for teachers. These leaders require reliable information on the types of costs associated with each strategy *before* making any decisions on components of the compensation plan, the design of a pilot, or larger scale implementation.

Mistaken beliefs and erroneous considerations about cost have been the bane of many failed compensation reforms. It is therefore necessary to identify how costs associated with specific options appear in the short-run, how they are likely to evolve over time, and how they can be affected by associated organizational, transition, and phase-in costs.

Forecasting and analyzing the range of financial exposure for each option and strategy is not a process that can take place behind closed doors or that can be masked by a leader's claims of "the money will be found." It requires transparency and addressing the concerns of a district's diverse publics.

A starting point is to examine the differing costs of salary, stipends, and retirement, and the organizational costs characteristically associated with adjusting old systems or monitoring the effectiveness of new ones. The district should then discuss how changes in one cost area are linked to changes over time and in other cost areas. Taking this approach better positions a district to organize and establish priorities for potential compensation reform strategies.<sup>10</sup>

Human resource and financial modeling allows a district to create a staffing picture, which in turn provides a basis for predicting the cost of compensation reform.

An example highlights the critical importance of taking this approach. There is much concern over the repeating pattern of new teachers leaving districts at alarmingly high rates within their first four years of teaching. When they are replaced, the same pattern recurs with another group of incoming teachers. It perpetuates a flow of less experienced teachers within the system who are often assigned to the highest needs schools. It is widely accepted that this dynamic works to the detriment of schools, teachers, and students. Yet it is also how districts in part balance their budgets—new and inexperienced teachers cost less.

These dynamics change dramatically if a district is successfully implementing performance-based compensation. When teachers are supported as professionals and nurtured as instructors, the overall levels of teaching excellence and student achievement increase. Teachers are also more likely to stay in the profession longer. The reduction in turnover cuts induction costs, but this is a one-time gain while the other costs keep increasing. If the compensation system rewards teachers for their contributions to student achievement, and a greater number of more successful teachers stay in a district for longer parts of their careers, it costs more. Pure and simple, performance-based compensation costs more.

The objective is to establish a system of sustainable compensation where teachers develop their professional careers within a stable environment. By using the models to estimate costs, districts have a basis for tracking actual costs during both the pilot and later years of implementation.

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## Sustaining the compensation system

Cost projections have to be extended into longer timeframes as the elements of the compensation plan begin to involve changes over time or cumulating costs, as with salary and pension. These projections ensure that the district and community are aware of longer-term consequences. Finances in Denver, for example, were projected out over a 50-year district timeframe and a 30-year teacher career timeframe. If these cost projections over time use constant dollars—purchasing power adjusted for inflation—all parties have a realistic understanding of what is involved financially.

These projections also help a district and union understand the different costs associated with specific implementation strategies. For instance, plans that phase in changes—as with a pilot followed by larger-scale implementation—have increased costs over time. Components that require revamping current procedures may have only one-time organizational costs. Components that require new and ongoing monitoring—such as tracking whether incentives are encouraging teachers to attain master’s degrees or pursue professional development that matches their teaching specialty—can have significant continuing organizational costs.

It is particularly important to give attention to choices that involve salary changes. Much of the current wave of compensation reform consists of short-term bonus programs. Yet that is neither the only nor necessarily the best way to craft the compensation reform. For example, paying for achieving student learning objectives or serving in high-needs schools can be offered as bonuses, additions to base compensation, or some combination of these approaches. Here again it is essential to learn, both from teachers and ongoing research, which approach is more likely to incentivize which specific outcomes at the schools. If teachers indicate that eligibility for a smaller addition to base compensation is more of an incentive than eligibility for a larger annual bonus, then that has to be considered in the design and cost analysis. This level of planning is all part of achieving financial sustainability, particularly when retirement and pensions are involved in a total compensation package.

To build a broad base of understanding of the possible impact of a new compensation plan, it is also important to develop a structure for organizing all cost estimates associated with each potential compensation strategy. For teachers, the organization of cost estimates can be by career stage, so that they can compare alternatives in a meaningful way. For schools, the organization can be by grade level and student characteristics, so that the district can compare costs across different categories of schools. For job categories, the organization

can be by level of school and broad job classifications, so that a district can target pay structure changes to specific personnel.

Effective analyses need to delve beyond simple cost assumptions to also identify the nuances underlying the proposed compensation changes. For example, the cost of induction programs varies based on whether they are offered to those without teaching experience, those new to a district, or those who were not classroom teachers in the district the previous year. The analysis should generate estimates of the cost of each option and an estimated range for the overall costs.

By taking this approach and doing so transparently, the use of human resource and financial modeling enables a district to project costs for any of the targeted compensation changes, while building a collaborative understanding of the options with teachers and external publics. When mid-course corrections are considered, the understanding of the financial implications informs the decisions.

As decisions about the components are made and accumulate, the long-term funding picture becomes clearer. As this occurs, a district can prepare to identify funding sources to pursue. If it cannot identify or secure sufficient funding, it will be necessary to revise the proposed reforms. Making cost estimates of revised packages, involving trade-offs among components unrelated except by cost, is part of the process. Particularly in states that have collective bargaining, knowledge about the prospective funding sources has to be shared among the negotiating parties.

If the legislature or electorate needs to make a formal decision, then a district will be prepared with cost estimates to help inform that decision. Such financial analyses and projections become the foundation for the efforts of communication, organizing, and campaign groups. In Denver, for example, extensive briefings on cost information were provided to the media and other interested groups before the public vote to support compensation reform, which significantly lessened the contentiousness and tension of the public discussion.

Districts should also use financial models to match revenue and expense streams over time. District revenues often follow an economic cycle while expenses follow staffing patterns, so a means of adjusting the two is an essential component in any compensation system change.

### Doing business differently

The costs of doing business differently—recasting district priorities and reallocating district resources—are an often-ignored part of compensation reform. As discussed in the section on organizational sustainability, aligning and improving the quality of district services to the schools requires management effectiveness in using existing resources, not just on the influx of new finances. These are the costs of real institutional change.

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## Bottom line

District and union leaders should use human resource and financial modeling to anticipate what the changed teaching force will look like over a period of years and what these changes will cost. All parties need to be well prepared to make decisions based on information related to feasibility, effect on the teaching force, cost consequences, and financing options. Such modeling and decision-making are precursors to identifying and securing long-term financing sources.

When implemented effectively, performance-based compensation costs more than prevailing teacher compensation systems. But improved student achievement can justify the costs.

# A broad base of support is required in the district and community

Building the constituency that supports performance-based compensation is a community organizing function. It requires extensive and ongoing two-way engagement yet is characteristically treated as a one-way communications event by most districts. As a consequence, participants in the reform at the school level often feel shut out of opportunities to shape and improve implementation. Even worse, the broader community, whose informed support will be essential for generating the resources necessary for sustainability, is frequently shut out altogether—until more money is needed, which is too late in the process.

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## Purposes

Districts need to recognize from the start the essential role of constituency-building in advancing performance-based compensation. Failure to do so has undercut the potential of many compensation reform efforts nationwide.

Constituency-building is not a complementary function. It is absolutely pivotal to developing and carrying out a high-quality pilot and plan. It provides an extensive cross section of constituents with the opportunity to influence the reform and plan, share critical information before and during implementation, and build support for the new direction in compensation.

The constituency-building strategy has five main purposes:

- To build broad-based understanding within the district and community of the intent, impact, and implications of the compensation reform.
- To ensure that teachers—the professionals most affected by the plan—have extensive opportunities to identify needs, inform organizational responses to the needs, and shape the substance of the developing pilot and longer-term plan.
- To increase the levels of trust and buy-in among district leaders, site-level educators, and the community.
- To acquire information needed for successful policymaking.
- To establish and broaden the base of public support needed to secure leadership and financial commitments from the community.

## Core requirements

The core requirements of a constituency-building strategy include identifying targeted constituencies within the district and the broader community, their information requirements, their salient concerns and goals for compensation reform, the most cost-effective vehicles and media for reaching them, and the information and training requirements for the spokespeople for the compensation reform initiative. Based on these requirements, a district and union need to prepare a communications plan to be approved and authorized by their leadership. The plan should delineate necessary staffing and budgetary resources for communicating and engaging participation at the school, district, and community levels.

The design of the new compensation plan affects the community organizing challenge. If all teachers can participate and are eligible for performance-based awards, then it is far easier to develop school-level support for the reform than if the effort is based on a single state test that may apply to as few as 20 to 35 percent of the teachers. CTAC's survey data from diverse urban districts suggest that teachers and parents are more likely to be supportive of the initiative if awards are based on multiple measures of student achievement.<sup>11</sup>

Policymakers and educational leaders have launched compensation reforms whose potential success has been compromised and undermined by a lack of understanding of both past efforts and basic requirements. In particular, the track record of compensation reform efforts demonstrates the importance of educating diverse constituencies and being educated by them. This is especially important around controversial issues, as it was in the era of desegregation. Remember, the forces of misinformation are always more powerful than the forces of accurate information in compensation reform.

When districts have launched compensation reform efforts without a broad base of understanding of the organizational and financial demands, it has proven unusually difficult to recover from those initial and recurring missteps.

An initiative must assist key constituencies—state and district policymakers, district administrators, teacher union leaders and teachers, business leaders and private philanthropies, parents, and leaders of community organizations—to understand the scope of efforts and steps to be taken to develop and sustain compensation reform that benefits students and teachers. Depending on the state school finance formula, efforts may well extend to the governor and state legislature.

A constituency-building strategy is at root based on the premise that all stakeholders have legitimate roles and appropriate concerns. A district ought to act and be perceived as a fair and honest broker. This means taking the long view, knowing that what a stakeholder believes at the beginning of the process may change over time. Additionally, in order to

Constituency-building is not a complementary function. It is absolutely pivotal to developing and carrying out a high-quality pilot and plan.

produce consensus, important concerns of groups that will become involved later in the process—such as the broader electorate or those responsible for implementation—need to be anticipated and represented in the early stages.

Denver’s accomplishments in this regard are particularly noteworthy given the previous history of contentious union-management relations including a teachers’ strike, the prior need for the governor to impose a system-wide Collaborative Decision-Making reform on the district, and the precedent of unsuccessful efforts to garner community financial backing to support reform efforts. Denver’s compensation and system improvements advanced during a period in which there were five superintendents or interim superintendents, changes in school board leadership and composition, and changes in teachers’ union leadership. What’s more, a fiscal crisis and pay freeze after union approval of the new compensation plan threatened to undo the agreement. Yet the constituency that was supportive of compensation reform enabled efforts to continue moving forward.

As with any community organizing effort, constituency-building depends on a great deal of gritty and granular legwork. It takes a significant commitment of time and focus to assist stakeholders in understanding the core elements of compensation reform, the potential content of different plans, the process of development, and the core requisites, relationships, and funding necessary for success. But building these understandings provides the base for institutional and community change processes, and the capacities necessary to develop a compensation initiative that triggers, and is aligned more broadly with, a school system driven by student learning and evidence of results.

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### Broadening awareness through the media

The media can make or break a reform. So the media has to be included in a constituency-building strategy. It is critical that media representatives and leaders understand the initiative and the role they play in educating the public and garnering the necessary support for success. In the absence of this type of base building, a headline announcing, “District Will Use Merit Pay,” can result in an immediate union reaction that handcuffs both district and union leaders. An editorial attacking district or union leaders more often engenders entrenchment than institutional change.

A district builds understanding of both the issues and the impact of reporting on the compensation reform process by working with lead writers and editorial page editors from major dailies, news services, and the electronic media. The media can be educated about and prepared for a different type of reporting—one that moves away from featuring individual students, parents, or teachers and toward investigative pieces about the educational system and the requirements of compensation reform.

The media, similar to policymakers, needs to know both the particulars of this reform as well as the role they play in making the reform effective. They educate the public about value-added methodologies, appropriate applications of assessment data, the costs associated with improving the plans, and the overall potential of the reform. The media has played a key role in helping the public understand the implications of education reform in cities such as Denver and Dallas. By contrast, flawed communication between the district and the media in Houston has been detrimental to that city's efforts.

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## Bottom line

Both practice and policy must delineate the constituency-building requirements and timeline for strategies related to the design, development, and implementation of a performance-based compensation pilot and plan. This means identifying the elements of a community organizing strategy as part of the broader process of increasing public awareness and gaining the support of diverse publics for the initiative.

Two-way communication between the district and all key internal and external constituencies within the educational and political communities requires rigorous attention. Taking such an approach enables pivotal constituent groups to shape the compensation system, integrates constituent responses into the continued development of the compensation system, and provides the mechanisms that ensure continued constituent ownership in the post-pilot period.

# Performance-based compensation must go beyond politics and finances to benefit students

Performance-based compensation focuses on improving the levels of student learning and rewarding teachers' contributions to that learning. Some segments of the performance pay discussion focus almost exclusively on measuring the effects of teacher performance, often using a single measure, but measuring effects is not sufficient. A district needs to understand the causal factors that are contributing to the effects so that it can increase the levels and amount of teacher and managerial excellence and improve student achievement.

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## Multiple measures of student achievement

The goal of benefiting students has significant implications for assessment practice and policy within a district. While all districts have a range of assessments, they consistently lack a *system* of multiple measures. The challenge in performance-based compensation is to take several valid measures of student learning and use them together to more effectively identify student progress and ascertain the contributions of classrooms, programs, and schools to that progress. Linking these assessments is what is meant by multiple measures. The continuing failure to move in this direction is handicapping compensation reform as well as other instructional initiatives underway in most districts.

Multiple measures help a district meet a higher standard of fairness and accuracy when examining a teacher or a school's contribution to student achievement. They also enable a district to achieve a broader understanding of each student's achievement. Converting the current collection of assessments in a district to a system of multiple measures serves several purposes. It benefits the compensation reform; supports all of a district's reform efforts; promotes buy-in from teachers, principals, and parents; and moves a district toward the dual goal of understanding and improving the achievement of all children.

When examining a district's assessment practices and policies, it is necessary to recognize that challenges introduced by the compensation reform may also pertain to a district's pre-existing assessments and assessment practices. If the assessments and assessment practices in use in the district are inadequate to measure student learning objectives or school performance for compensation, they are likely to be insufficient for other purposes for which they are being used.

Development of multiple measures is another area where ideologues dismiss issues of nuance and substance. Moving toward multiple measures necessarily leads a district to focus attention on some of the most critical challenges that have to be addressed to improve student achievement, including:

- Reaching agreement on the goals and suitability of assessments for measuring student growth.
- Ensuring alignment of standards, curriculum, instruction, and assessment.
- Determining which assessments are used fairly to gauge a teacher's contribution to student achievement and which are used for the purpose of comparability.
- Ensuring that assessments are valid and reliable, both statistically and perceptually.
- Avoiding the unintended consequence of teaching to the tests.
- Ascertaining the frequency and consistency of implementation so that assessments used for comparative purposes are conducted at all schools under the same conditions.

The transformative potential of performance-based compensation comes alive when a district puts these issues on center stage. They provide the basis for making meaningful improvements in practice and policy.

Yet this potential is regularly undercut when districts and policymakers trivialize the institutional challenge and focus on what is trendy rather than on what is substantive. For example, simply applying a value-added metric—no matter how sophisticated—to determine the worth of a teacher not only undermines the application and acceptance of a powerful effect methodology, but also leads to a piecemeal examination of teacher effectiveness. This approach is going to produce a backlash over time because it is short-sighted and fails to link teacher quality and management quality.

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## The role of a comprehensive study

Compensation reform focuses far too frequently on the “what” and “how” of reform rather than the “why.” The rush to “what are we going to do?” and “how are we going to do it?” obscures the understanding of the causal factors that are producing or impeding improvements in student learning. Yet this understanding is basic to making informed mid-course corrections. A research component needs to be a core element of performance-based compensation so that a district can base improvements on evidence of what is benefitting students rather than intuitive and often politically charged assumptions about what is working and what is not.

The role of research in the area of performance-based compensation is considerably more than an after-the-fact function or something that can be added well into the reform. This is also not a case of “let’s have more experimentation and more studies.” When the high-stakes universes of money and performance dovetail, improvements in implementation

need to be based on data about what is making a difference for students and teachers. Both the district and union should demand research that is credible, has a basis in science, and provides causal evidence to guide the compensation reform.

This is a very different role for research. It requires positioning research in the very fabric of reform right from the start. Doing so requires transparency, which in turn must be protected by a broad constituency supportive of the reform, so that problems of implementation can be highlighted and addressed. Mandates are not a substitute for evidence and understanding.

The power of this approach is indicated by field-proven practice. CTAC, as lead technical assistance provider and researcher for Denver's Pay-for-Performance initiative, conducted the multi-year analysis of the impact of the initiative. This analysis involved more than 177,000 student records—linked to 25 student, teacher, and school variables—multiple measures of student achievement, more than 2,870 survey responses, more than 600 interviews, hundreds of hours of observations—from classrooms to boardrooms—and the detailed review of more than 4,000 teacher-set student learning objectives.

The Denver evaluation served as the first comprehensive, longitudinal analysis of performance-based compensation in a school district in the United States. It provided the third party analysis that guided mid-course corrections; proved pivotal to union, board, and public votes in favor of a new compensation system; and also provided a research base to inform Congress' launch of the Teacher Incentive Fund.

A far-sighted district and union will make a comprehensive study a linchpin of compensation reform. They will commission a third-party examination of both the substance and impact of teacher incentives and the correlation between teacher performance and actual increases in student achievement. This component of the reform effort provides information that will be valuable for classroom and school improvements, for teacher evaluation, and for providing instructional supports to teachers. It will also frame understanding of the relationship between compensation and student learning.

**Site-level factors.** There is an inherent danger in any compensation reform when financial decisions are based on what may be short-term results. It is therefore essential to understand the site-level factors, in addition to compensation, that influence student achievement, such as school, teacher, and student factors. A district will want to explore whether financial incentives have varying degrees of success in schools with particular conditions or attributes. These factors may include specific school programs; leadership mobility; size or population; teacher attributes including the number of years taught, level of licensure, subject taught, or grade level; and student attributes such as age, background, socioeconomic status, or initial academic status.

Compensation exists in a broader school context. A district needs to identify those site-level factors that contribute to, and may prove to enhance, the achievement of students or

the effectiveness of the pilot. It should also pinpoint those factors that are associated with lower levels of success for students or teachers.

**Changing systems.** A district should also examine the relationship between systems changes and actual results in student achievement. Just because people are behaving differently doesn't mean that results have improved. This means probing how changes in data quality and access, professional development, curricular and instructional supports, and assessments affect student achievement in the schools. It also means exploring whether these changes affect some schools, classes, or students more than others. This component of a study will provide a detailed analysis of how system changes affect student achievement and the impact of teacher incentives in the district. Again, this information is critical for shaping and sustaining long-term compensation reform that will work to the benefit of students and teachers.

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## The role of external funders

Performance-based compensation's potential to benefit students is increasingly drawing attention and support from both public- and private-sector philanthropy. The cornerstones can be used to help maximize these efforts, as well.

Districts function beside and, at times, within larger systems of state and federal agencies. These agencies have in the past had a lateral position of providing resources, support, and accreditation. However, states and the federal government have more recently provided start-up funding with parameters that guide or limit districts in designing and implementing pay-for-performance schemes. These agencies perform an invaluable service to districts by acting as a source of start-up funds and encouragement. The growing federal commitment to the Teacher Incentive Fund is the most well-resourced effort to build on this emphasis.

The challenge for these agencies is to avoid inhibiting district and teacher leaders in carrying out the creative thinking and systemic planning that will make compensation reform work in their community. Even when a district adopts a design that has worked somewhere else, it has to be carefully analyzed, customized, and translated into a new setting.<sup>12</sup> Further, there needs to be a greater recognition from public funding sources that performance-based compensation is a reform that evolves. It involves extensive planning through all phases of implementation and numerous mid-course modifications. Original designs often need to change significantly over time. Therefore, from the RFPs to the proposal review process to the monitoring, performance-based compensation requires different methodologies and changes in traditional practice from public-sector donors.

Several foundations around the country have also taken up the banner for performance-based compensation and become a key source of funds for districts going down this path. Such foundations merit commendation because performance-based compensation is on

the cutting edge of educational reform. It can be costly and politically risky for a foundation to take on. For these reasons, some foundations approach compensation reform with prescriptions or even models that they would like to see implemented. What a foundation has researched and designated as a best practice is a great starting point, but it should only be used to start the discussion in the district.

A better approach for private funders is a partnership where openness and two-way, honest critique are the basis of the grantor-grantee relationship. This approach is rooted in angel investing rather than social engineering; it is not top-down. The performance pay initiative in Denver benefited from resources as well as a close working partnership with several foundations, spearheaded by the Rose Community Foundation.<sup>13</sup> A large part of the success in Denver came from foundations that kept informed and continually asked what they could do to help. Reflecting the cornerstones, they understood that compensation reform that benefits students and teachers is best done with people and not to them.

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### Bottom line

Serious efforts to improve student achievement and teacher compensation systems must be guided—both in practice and in policy—by evidence and analysis of what is working and what changes need to be made to continually improve the district. Simply providing awards based on a single year of comparative test results, without paying attention to the broader institutional challenge of providing more effective instructional support to the classrooms, will continue to result in a misuse of public money, a trivialization of human capital support, and a failure to sustain progress in student achievement.

# Conclusion

The nation is at a crossroads. Compared to virtually any major educational reform proposed in the past 25 years, performance-based compensation exhibits the most potential for serving as a catalyst for district-wide change. The current president is deeply committed to public education and compensation reform; the question is whether the nation will pursue performance-based compensation systemically or repeat the pattern of failed piecemeal approaches.

The basis for public support of educational reform is demonstrable and sustained improvement in student achievement. The commitment of teachers and parents to address the challenges of performance-based compensation is similarly grounded in their trust that the reform will bring attention to issues of rigor in implementation and will pursue responsive strategies.

Large-scale change depends on informed practice and policy, an educational and political climate supportive of innovation, increased district capacity and collaboration, organizational alignment and financial sustainability, and results that demonstrably benefit student, teacher, and school performance. The cornerstones for performance-based compensation form the framework for achieving these ends.

Yet the past and much of the current national experience raise red flags. Dismissing the nuances and complexities of design and implementation because of political expediency or a cursory understanding diminishes the potential of achieving real change through performance-based compensation. It serves as a recurring example of ill-considered management and underinformed policy masquerading as reform leadership.

Conventional wisdom in the area of performance-based compensation has often proven to be more conventional than wise. As the merit pay efforts of the 1980s demonstrate, underconceived and narrowly focused reforms can set back changes in teacher compensation and school improvement for a generation.

The public's faith in public education is tenuous. Linking what students learn to what educators earn offers a lever for change that is critically needed to move reform to an increased level of scale and sustainability. The cornerstones of performance-based compensation can be used to significantly build both teacher and management quality to the demonstrable benefit of student learning—the result that the public is interested in. The need to address this challenge successfully is acute and compelling.

# Endnotes

- 1 The history and practice of performance pay is discussed in detail in Donald B. Gratz, *The Peril and Promise of Performance Pay* (Lanham: Rowman & Littlefield Publishing Group, 2009).
- 2 William J. Slotnik and Maribeth D. Smith, "Catalyst for Change: Pay for Performance in Denver Final Report," (Boston: Community Training and Assistance Center, 2004), available at <http://www.ctacusa.com/PDFs/Rpt-CatalystChange-Full-2004.pdf>.
- 3 In CTAC's surveys and interviews in urban districts, teachers and administrators consistently provide evidence of frustration when new reform initiatives are introduced and essentially layered onto pre-existing reforms, but without a clear sense of which efforts are the priority for the district.
- 4 The history of compensation reform is synopsised in William J. Slotnik, Maribeth D. Smith, and others, "Pathway to Results: Pay for Performance in Denver," (Boston: Community Training and Assistance Center, 2001), available at <http://www.ctacusa.com/PDFs/Rpt-PathwaytoResults-2001.pdf>, and examined in detail in Donald B. Gratz, *The Peril and Promise of Performance Pay*.
- 5 In assessing readiness and capacity, a district should examine such issues as: the current level of performance of systems that support student achievement; the focus, frequency, and reliability of formative and summative assessments in use or under consideration for use in a district; the ability of the district to follow individual student gain at the classroom level; and the accessibility and transparency of data systems for principals and teachers. Further, the assessment should look at the capacity of principals and the criteria they use to conduct classroom evaluations; the capacity of supervisors and the criteria they use to conduct school evaluations; and the ways the district provides and tracks the impact of differentiated professional development to teachers at the classroom level.
- 6 Joan Baratz-Snowden, "The Future of Teacher Compensation: Déjà Vu or Something New?" (Washington: Center for American Progress, 2007).
- 7 Cornerstone 3 examines the comparable requirements for district leadership.
- 8 William J. Slotnik, "Mission Possible: Tying Earning to Learning," *Education Week*, September 25, 2005.
- 9 As indicated in Cornerstone 4, the district will also need to track the costs of change, to recognize unforeseen costs, and to make the corrections needed.
- 10 This approach to examining costs has been used successfully by Denver, Austin, and Charlotte-Mecklenburg.
- 11 As an example, in Denver, the vast majority of parents (94 percent) and teachers (93 percent) indicated that more than one measure of student achievement should be used to determine teacher performance. CTAC's research in other urban districts has shown a similar pattern of responses.
- 12 Gratz, "The Peril and Promise of Performance Pay," writes, "A district that simply attempts to adopt Denver's plan without building a constituency and capacity to make it work will not succeed in creating positive and lasting change."
- 13 Phil Goring, Paul Teske, and Brad Jupp, *Pay-for-Performance Teacher Compensation: An Inside View of Denver's ProComp Plan*, (Cambridge: Harvard Education Press, 2007). Goring was the program officer for education for the Rose Community Foundation.

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## About the author

William J. Slotnik is the founder and executive director of the Community Training and Assistance Center.

CTAC builds capacity and addresses root causes of poverty at the local, state, and national levels by providing technical assistance, conducting research and evaluation, and supporting public policy initiatives. CTAC's staff is comprised of nationally recognized executives, educators, policymakers, researchers and organizers. Since 1979, Slotnik has led CTAC in assisting and partnering with hundreds of school systems, states, unions, non-profit organizations, coalitions, and philanthropic institutions to achieve positive and lasting results in low-income communities.

In the area of performance-based compensation, he has provided assistance to numerous school districts, states, unions, and foundations, including leading the CTAC team that served as the technical assistance provider to Denver's landmark Pay for Performance initiative and conducted the comprehensive study of the initiative. Slotnik has authored seminal reports, such as "Pathway to Results" and "Catalyst for Change," the first comprehensive, longitudinal studies on the impact of performance-based compensation on student achievement, teacher quality, and systems change. He regularly provides briefings to members of Congress, the U.S. Department of Education, and state legislatures and departments of education. More information is available at [www.ctacusa.com](http://www.ctacusa.com).

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