



It's More Than Money

Making Performance-Based Compensation Work

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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.¹

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.² 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.³ 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.

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.⁴

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.⁵ 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.

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.⁶ 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.

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.

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.

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