

# **Merit Pay for Teachers: Can Common Sense Come to Public Education?**

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## **Executive Summary**

Businesses as well as many institutions, including universities and private schools, pay employees more if they do their job well. K-12 public education has resisted merit pay for teachers, however, largely because teacher unions insist on maintaining their control via uniformity of pay schedules. They have argued that teacher evaluation is too subjective for merit pay to be distributed fairly.

The advent of value-added assessment, which identifies those teachers who are most effective in raising student achievement, has demolished the old excuses for stonewalling merit pay. Accordingly, there is growing momentum for merit pay across the country, and support for it is bipartisan. An initiative to provide federal aid to school districts adopting merit pay appears to be headed for Congressional approval. Some merit pay innovations are more thoughtfully constructed and likely to endure than others, however.

Merit pay gives promise of being a key component of comprehensive education reform aimed at motivating teachers and elevating student achievement. This paper shows how and details specific examples such as Massachusetts' Governor Mitt Romney's proposed merit pay system, the Milken Family Foundation's Teacher Advancement Program (TAP), and the Chattanooga, Tennessee teacher reward program.

Details follow.

## **Merit Pay for Teachers: Can Common Sense Come to Public Education?**

A September 29, 2005 *New York Times* article reported that Governor Mitt Romney of **Massachusetts** had presented a “bold plan” for school reform, the centerpiece of which is to pay teachers extra for productive performance. <sup>1</sup>

Merit pay is a bold idea – within public education. Practically everywhere else, it is nothing more than an accepted exercise of common sense.

Workers are paid on the basis of how well they do their job, not merely according to how many years they have been on the job. Superior performance rates more rewards than laggard performance.

That’s true in most parochial and independent schools, and private and public institutions of higher learning, as well as the general workplace. The situation is far different in K-12 public education, however. Almost everywhere, teachers are paid on the same scale according to how many years they have in the system and how many college credits they have amassed.

A hard-working teacher who gets great results from his or her students is often paid no more than a clock-punching teacher who expects and receives little from his or her students in the way of achievement. If they are at the same place on the experience and formal-education scale, they draw the same-sized paychecks.

The *Atlanta Journal-Constitution* recently commented perceptively on the folly of sticking to that model of compensation in education:

As substitutes for performance-based standards, school systems now reward teachers on degrees and seniority. Yet neither of those measures may correlate with student achievement. In this competitive economy, companies would close their doors if they paid low-performing employees the highest salaries just because they’d been there a long time or had a grad school diploma on their wall. <sup>2</sup>

The newspaper quoted Dr. Eric A. Hanushek, education policy expert at Stanford University, as underscoring the premium current pay systems put on mediocrity: “Bad teachers are given a lifetime contract. The hiring of principals and teachers is one of the few places we don’t make marginal corrections. We just go with our first guess.”

For many decades, critics of K-12 merit pay have decried the supposed subjectivity of administrative evaluations of teachers as a forbidding obstacle to fair systems of performance-based compensation. Principals would have the opportunity to play personal favorites in rewarding or punishing particular teachers. Great teachers who had a

maverick streak would never have a chance to receive bonuses, according to that line of reasoning.

That presumption surely was unfair to many principals, who have the same interest that supervisors in other businesses have in leading a well-motivated, productive workforce. In any event, the “subjectivity” excuse for stonewalling merit pay is no longer valid, no matter what small degree of validity it ever had. The Great Excuse has been rendered null and void by a revolutionary development in education: the rise of value-added assessment (VAA).

As pioneered by Dr. William Sanders at the University of Tennessee in the early 1990s, VAA enables education supervisors (and the teachers themselves) to look at objective evidence of how effectively the teachers are helping individual students improve their achievement test scores year to year. This statistical analysis can inform teachers who seek to improve. It can also provide a basis for handsomely rewarding those teachers who make a real difference with their students.

Across the country, there is bipartisan excitement about the potential of instituting pay for demonstrated performance. Later in this paper, we will discuss a particularly promising innovation sponsored by the Milken Family Foundation in several states. That project, using “value-added” as a key component of performance-based compensation is beginning to achieve results in its first years of implementation and is earning support from Republicans and Democrats. Among supporters are U.S. Secretary of Education Margaret Spellings, the Democratic Governor of Louisiana and a Democratic Senator from that state, and Minnesota’s Republican Governor, who is making the Milken model of teacher-advancement the centerpiece of his blueprint for education reform.

### **Teacher Union Self-Protection**

Here and there, local teacher union leaders show some degree of support for the value-added approach, so long as it is linked to overall increases in teacher compensation. However, the national teacher unions give few signs of budging from their insistence on the old seniority-plus-degrees system, which protects mediocre teachers. Union leaders fear that allowing for individual differences would weaken their collective bargaining power.

The reaction to Governor Romney’s proposed reform exhibited the kind of negativism that merit pay must overcome. The president of the Massachusetts Teachers Association, an affiliate of the National Education Association (NEA) teachers union, huffed that Romney’s plan is like all merit pay plans in being “inequitable, divisive, and ineffective.”<sup>3</sup>

Her dismissive comment was consistent with teacher union ideology of many years standing. At the 2000 NEA convention, delegates took a hard-line position that remains

in effect, declaring steadfast opposition to “any system of compensation based on an evaluation of an education employee’s performance.”

In a paper for the Wisconsin Public Policy Institute, Thomas Hruz explained why teacher unions are so adamantly opposed to merit pay:

The threat that teachers’ unions see from a performance-based pay system is clear: it would make them less relevant. The importance of teachers’ unions is reliant upon their superior ability to get for teachers better working conditions and compensation. If individual teachers, or groups of teachers within schools, are able to garner control over the effectuation of their own compensation levels, then the unions are faced with the potential of these teachers saying that the unions’ services are no longer needed, at least when it comes to bargaining for salaries.<sup>4</sup>

### **Education Naysaying**

A *Boston Globe* op-ed piece attacking Governor Romney’s proposal showed the level of hostility to merit pay in the education community as a whole. The prevailing line is still that it’s never worked over a long period of years and therefore it never can work.

“While it {the Romney plan} may be bold, it is far from new. If implemented, it is destined to be an expensive failure,” asserted Vivian Troen, a lecturer at Brandeis, and Katherine C. Boles, a lecturer at the Harvard Graduate School of Education.<sup>5</sup>

Troen and Boles claim that merit pay, also known as pay for performance, was born in England in 1710. Teachers were paid according to how well their students did on tests of reading, writing, and arithmetic. Consequently, they report, “teaching to the test” and cheating became rampant, and merit pay was abandoned.

The two educators contend that the same fate has befallen every merit pay system tried since then. The supposed inevitability of failure becomes a self-fulfilling prophecy, with special interests such as the teacher unions working hard to ensure that very outcome. If merit pay has flopped, the hidebound resistance to it may have been a big part of the difference. To be sure, some plans have failed because they were poorly designed.

This time around, merit pay stands a fighting chance because strong leaders across the political spectrum are stepping forward to insist that it be given a chance as part of well-thought-out, broad-based reform.

### **A Commission for Reform**

A key player is **The Teaching Commission**, a bipartisan advocacy group assembled by former IBM chief Louis V. Gerstner, Jr. The Commission wants to fundamentally

transform the ways teachers are recruited, retained, and rewarded. As part of its agenda, the group seeks pay boosts for teachers who produce gains in student achievement, as shown by “value-added” analysis of test scores.

Because Romney is a Republican who could be a prime contender for his party’s 2008 presidential nomination, his enemies in Massachusetts dismissed his education reform plan as pure politics. But The Teaching Commission – which includes such prominent Democrats as Bill Clinton’s Secretary of Education, Richard Riley, and former North Carolina Governor James Hunt – are shunning politics in favor of substance.

“Our economic leadership as a nation is dependent on the skills we give our young people – and the skills we give our young people are directly connected to the quality of the teachers in our classrooms,” said Gerstner in a statement for the Commission. “Governor Romney deserves great credit for understanding that – and doing something real about it.”<sup>6</sup>

The Commission earlier applauded the efforts in **California** of Governor Arnold Schwarzenegger, another Republican, to institute merit pay for teachers. Schwarzenegger’s plan, which also embraces tenure reform, has encountered stiff opposition from the teacher unions and their political allies. He currently is concentrating on pushing a 2005 initiative that would make it tougher for teachers to earn tenure, increasing the probationary period from the current two years to five years. He remains committed to a legislative initiative to institute merit pay for teachers as well.

### **The Romney Plan**

Romney would draw on the Sanders “value-added assessment.” These are the key elements of the Governor’s plan:

- Base teacher evaluations mainly on value-added evidence of the progress that students are making. The teachers’ evaluations would be linked to academic standards and to pay.
- Award \$5,000 bonuses to teachers who show “exemplary evidence of value-added student learning.” Such awards would be limited to no more than one-third of teachers in a district.
- Add 1,000 highly qualified math and science teachers who would be eligible for \$5,000 year-end bonuses pegged to evaluation and mentoring by veteran teachers.
- Make teachers of Advanced Placement courses in math and science eligible for bonuses of \$2,500 per course.

Romney’s proposal for merit pay will have to clear many hurdles before being implemented. Meanwhile, merit pay is a concept gaining momentum and beginning to be implemented in some districts around the nation. There are important differences among

the plans, however. Some are closer to being true achievement-based merit systems than are others.

### **Varied Approaches to Merit Pay**

One of the most promising merit-based approaches is being implemented in the **Chattanooga, Tennessee** public schools. There, a teacher reward system is tightly focused on solving the problem of how to raise achievement in chronically underperforming schools. Using value-added assessment and other criteria, the school system identifies the most effective teachers whom it then recruits to work in the city's lowest-performing inner-city schools. Teachers who agree to work in those schools and then bring about value-added gains by their students win \$5,000 annual bonuses along with other perks provided by a private coalition of public-school supporters. So far, this approach appears to be producing significant improvements in student achievement in the needy schools.<sup>7</sup>

Meanwhile, reports from around the nation indicate growing interest in merit pay, but uneven quality of the programs being contemplated or put into place. Following are some examples, as tracked by the National Council on Teacher Quality (NCTQ) and others:

**Denver:** The Mile-High City has one of the most ballyhooed prospective merit-pay plans. That's because the local teachers' union has bought into it – but with a big catch: that local voters approve a \$25 million property tax hike this November to increase teachers pay. That's a high price to pay for a plan that could dissolve after the tax increase takes hold. The Denver plan would determine pay in part by improvement in student achievement, but factors such as “professional evaluations” and teachers taking courses that supposedly improve their knowledge and skills also would be significant factors. It is unclear whether Denver's plan ultimately would live up to its hype.

**Houston:** Last year, the city school system took a rather egalitarian approach to merit pay by giving 80 percent of teachers a modest bonus of \$440 apiece. It is doubtful that such a small reward provides much motivation for teachers to strive for excellence. Recognizing that, Houston is considering giving much smaller numbers of teachers awards of up to \$3,000 for individual and school-wide performance gains.

**Little Rock:** Perhaps the most straightforward pay-for-results plan is one that was instituted at Little Rock's Meadowcliff Elementary School with the help of outside assistance from an anonymous donor. Teachers receive bonuses of \$100 for each student whose test scores go up at least 4 percent, \$200 for each student who gains 5 to 9 percent, \$300 for each student in the 10 to 14 percent range of increase, and \$400 per student for gains exceeding 14 percent. Last year teacher bonuses ranged from \$1,800 to \$8,600, and according to the *Arkansas Democrat-Gazette*, initial teacher resistance turned to support as teachers saw the benefits for their students and themselves.

About four-fifths of the Meadowcliff students are black, and 92 percent come from homes below the federal poverty level. In the past year, student scores on the Stanford achievement test rose 17 percent. Is that due only to the merit incentives? Perhaps not. But the role of merit pay bears watching.

Of course, not every school can count on having an “angel” to bankroll such major bonuses. However, seed money alone may be sufficient. Daniel Henninger, deputy editor of *The Wall Street Journal* editorial page, provided this sequel following a visit to the school:

The Meadowcliff bonus program is now in its second year, amid more phenomena rarely witnessed in ‘school reform.’ Last year’s bonuses were paid for by an anonymous donor; this year the school board voted to put the pay-for-performance bonuses on the district’s budget. The Little Rock teachers union thereupon insisted that Meadowcliff’s teachers vote for a contract waiver; 100 percent voted for the waiver. Another grade school, with private funding, will now try the Meadowcliff model.<sup>8</sup>

**Florida:** Florida has been a leader in implementing parental choice in education, but it has had a difficult time getting a statewide merit pay program off the ground since the 2003 launch. Local school districts are supposed to set up criteria for earning bonuses but teacher unions have applied pressure for them to make the programs so complex as to deter teachers from even applying. The moral here is that the unions will sabotage merit pay when given a chance.

**Springfield, Massachusetts:** The first citywide merit pay plan in a Massachusetts city would be nothing like the bold statewide plan Governor Romney has more recently proposed. The Springfield School Board last summer was pondering a plan that counted student achievement just 25 percent in considering whether teachers should get bonuses. Furthermore, achievement would be assessed in terms of raw test scores, not “value-added” gains – thus, teachers would have no incentive to work with low-performing students and schools. And teachers would get points just for showing up for work regularly, as well as for years of experience and degrees earned.

Such a plan shows that not everything called merit pay measures and rewards true merit. A study by Dr. Hanushek and other leading education economists has pointed out, for example, that school districts basing bonuses on overall school performance, rather than on individual teacher performance, are failing to reward the genuine sources of student gains: superior individual teachers. The greatest swings from poor to excellent in teaching are not from school to school, they found, but among teachers within the same school building. Apart from the value-added data that show this, teachers long have talked about this variation themselves.<sup>9</sup>

To take advantage of the growing interest nationwide in using teacher merit pay as a tool for school reform, advocates ought to seek thoughtful ways to implement this principle

that will bring about positive and enduring results. One such approach showing great promise is outlined below.

### **Milken: A Comprehensive Program**

As noted, the best hope for a merit pay system that will have lasting impact lies in a comprehensive approach to improving teacher quality. Perhaps the most promising innovation in the country is the Teacher Advancement Program (TAP) devised by the Milken Family Foundation.

At the 2005 annual conference of the National Governors Association, Governors Tim Pawlenty of Minnesota and Kathleen Blanco of Louisiana were effusive in their praise of how TAP is helping raise teacher quality in their states. (Pawlenty is a Republican and Blanco is a Democrat; see their statements below.)

TAP seeks to attract more talented people into teaching, and to keep them there, by making teaching more attractive and rewarding to them. Teachers get the opportunity to earn higher salaries and to advance in their profession without leaving the classroom. Using the “value-added” model to judge a teacher’s success in bringing about gains in student achievement is an important element of TAP, but it is just one part of a comprehensive approach.

These are TAP’s four elements:

1. **Multiple career paths.** All too often, the only way teachers can get ahead financially is to quit teaching and go into school administration. TAP seeks to change that and keep good teachers teaching by enabling teachers to go up a ladder of teaching opportunities – career, mentor, and master teacher. As they move up the ladder, their responsibilities increase as do their levels of pay.
2. **Ongoing professional development.** Teachers often lack the opportunity to learn from their more experienced colleagues those techniques and strategies that would help them become better teachers. By restructuring the school schedule, TAP gives them time to meet and plan with, be mentored by, and share ideas with veteran teachers. The sessions focus on issues that specific teachers face with individual students, rather than dwelling on the latest fads in teacher education.
3. **Instructionally focused accountability.** TAP has developed a comprehensive system for evaluating teachers and rewarding them for teaching their students well. Teachers are held accountable for meeting the TAP standards for skills and knowledge, and for the value-added growth of their students.
4. **Performance-based compensation.** In addition to compensating teachers according to their roles and responsibilities, classroom performance, and the

performance of their students, TAP encourages school districts to pay competitive salaries to those who teach “hard-to-staff” subjects and schools.

At the heart of all this is the use of value-added assessment, a statistical model for determining how much students gain in a given year from pre- to post-testing. The Milken mission statement explains the importance of value-added this way:

The use of value-added analysis of student gains can be viewed as the strand connecting each of the TAP elements at the classroom level. This complex statistical process allows teachers and schools to identify what is happening ‘right’ with regard to instruction. Further, it helps to identify what needs more examination with the intention of improvement, always focusing on maximizing student performance with quality instruction.<sup>10</sup>

Since its inception in the late 1990s, TAP has helped some 2,000 teachers in 10 states and the District of Columbia advance in their profession and be awarded according to their accomplishments. In addition to Louisiana and Minnesota, the Milken model has been used at schools in Arizona, Indiana, South Carolina, Arkansas, Texas, Colorado, Florida, and Ohio.

**U.S. Secretary of Education Margaret Spellings** points out that teachers aren’t the only beneficiaries: “In Arizona and South Carolina, student achievement in TAP schools outpaced achievement in similar schools two-thirds of the time. The message is clear. When we treat teachers better, students perform better.”<sup>11</sup>

Because of strong bipartisan support for merit plans such as TAP, there is a strong likelihood that federal money soon will be available as a resource for states seeking to introduce pay for performance. The U.S. House of Representatives has approved a \$100 million initiative to assist districts in innovating with merit pay instead of sticking to seniority-based systems. The money would come from an existing pot of money that had been used for a variety of small projects of questionable effectiveness. Action was pending in the Senate, but the House also had inserted enabling language for the Teacher Incentive Fund in the reauthorized Higher Education Act – specifically, Title III, which provides aid and guidelines for teacher training institutions.

Republicans and Democrats often fight over education policy as part of the broader culture war. The teacher unions’ overwhelming support for Democratic candidates in local, state, and federal elections and their insistence that the Democrats toe their line on such policies as opposing parental choice figure into that equation. Given that, consider how remarkable the bipartisan chorus of support for the TAP approach to merit pay is, judging from the following statements:<sup>12</sup>

**Mary Landrieu, United States Senator, D-LA:**

The Teacher Advancement Program in Louisiana is providing strong results in student test scores. And just as important, it is improving the working environment for teachers, resulting in greater satisfaction and collaboration that supports gains in teaching skills over time.

**Jim DeMint, United States Senator, R-SC:**

South Carolina is piloting one of the most successful teacher quality programs in the country, and the increase in student achievement under TAP has been impressive. I am delighted to be a long-time supporter of this important initiative, and to work to find ways to ensure that every student in South Carolina has a quality teacher every year they are in school.

**Kathleen Blanco, Democratic Governor of Louisiana:**

I see the TAP program as a vital tool for encouragement, professional growth, opportunity, and enhancement. It ensures teachers are well-equipped for their job.

**Tim Pawlenty, Republican Governor of Minnesota:**

After parents, teachers are the biggest influence in the educational success of a child. Our current teacher pay system is outdated and it is not geared towards accountability for results. We need to treat teachers as professionals, not part of an assembly line from the 1940s. That is why I am proposing a statewide reform, based on the Milken Teacher Advancement Program, to rightfully reward our best and brightest in the profession for increasing student achievement and provide professional development incentives to attract and retain high quality teachers. My QComp legislation – Quality Compensation for Quality Teachers – will give Minnesota’s teachers the professional treatment they need and deserve.

Change is blowing in the political winds. Common sense may soon triumph over the hidebound resistance to merit pay in K-12 public education.

## ENDNOTES

- <sup>1</sup> Janofsky, Michael, "Teacher Merit Pay Tied to Education Gain," *The New York Times*, October 4, 2005.
- <sup>2</sup> "Link Teacher Pay, Student Gains," editorial, *Atlanta Journal-Constitution*, October 14, 2005.
- <sup>3</sup> Janofsky, *op cit*.
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- <sup>5</sup> Troen, Vivian and Katherine C. Boles, "How 'Merit Pay' Squelches Teaching," the *Boston Globe*, September 28, 2005.
- <sup>6</sup> The Teaching Commission, available at:  
[http://www.theteachingcommission.org/press/2005\\_09\\_22.html](http://www.theteachingcommission.org/press/2005_09_22.html)
- <sup>7</sup> Holland, Robert and Don Soifer, "Good Ideas: Six Valuable State and Local Education Reforms," Lexington Institute, April 2004.
- <sup>8</sup> Henninger, Daniel, "Pay for Performance: How an Arkansas School Found a Way to Measure Success," *The Wall Street Journal*, October 14, 2005.
- <sup>9</sup> Hanushek, Eric A. and John F. Kain, Daniel M. O'Brien, and Steven G. Rivkin, "The Market for Teacher Quality," National Bureau of Economic Research, February 2005.
- <sup>10</sup> Milkin Family Foundation, Teacher Advancement Program (TAP), available at:  
<http://www.tapschools.org/tap/>
- <sup>11</sup> *Ibid.*
- <sup>12</sup> *Ibid.*