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Performance pay for teachers: A policy Analysis

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Introduction

Imagine working in a field where the evidence shows you are achieving at a high level, and your co-worker down the hall is compensated twice as much and the evidence is clear that he is a sub-standard employee. This situation is quite common for teachers with contracts based on traditional pay scales. The traditional teacher pay scale rewards teachers based on years of experience and the education level they have attained. Historically, this has been the most common way to compensate teachers. However, some districts in Ohio have begun to implement alternative compensation systems based off of performance (Ingle & Willis, 2014). Fullan (2011) researched the topic of performance pay for teachers and pointed out that the research is mixed on whether performance pay for teachers is effective at increasing achievement for students, with some researchers advocating for performance pay, and other researchers concluding that performance pay does more harm than good for schools. Compensation of teachers affects more than just the individual teacher because you are also dealing with the teaching staff as a whole and students. If a teacher’s motivation increases because of this new form of compensation, the implementation of such a system may have positive impacts on student achievement. Therefore, when student achievement increases, the positive impacts on society may be exponential.

The topic of performance pay for teachers has been studied previously, with some researchers focusing on its impact on student test scores, other researchers focusing on its impact on school funding, and others focusing on teacher attitudes about switching to such a system. Razo (2014) compared student test results on Arizona’s standardized tests to teacher performance pay and teacher evaluation ratings to performance pay, but did not find strong correlations across grade levels and subject areas. Hanushek and Lindseth (2009) advocate for
implementing a performance pay system for teachers because they believe such a system will help solve school funding problems nationwide. Teacher attitudes about switching to alternative pay systems have also been studied showing that opinions are mixed about such systems (Goldhaber, DeArmond & Deburgomaster, 2011; Lundstrom, 2012; Tenhiala & Lount, 2013; Viscardi 2014).

While researchers have studied the impact of performance pay in other locations, performance pay for teachers in Ohio is a relatively new phenomenon (Ingle and Willis, 2014). Along with Ohio’s new teacher evaluation system (OTES), the state has also implemented many other changes since 2010 including: switching to the common core state standards for English Language Arts and Mathematics, converting to Ohio’s new revised standards for Science and Social Studies, changing to PARCC and TIDE Air assessments during the 2014-15 school year, and implementing new state report cards during the 2013-14 school year to compare districts state-wide. Changes made in Ohio K-12 education make it difficult to replicate longitudinal studies completed in other states; however, the new report cards do offer a wealth of data to compare districts that have implemented performance pay systems to other districts that have not.

**Problem Setting and Agenda Setting**

“How problems are perceived and defined, command attention, and get onto the political agenda” is known as agenda setting (Kraft and Furlong, 2015, p 86). Our elected officials such as the president, governor, senators, and members of the House of Representatives would be considered the policy making elites. I would also consider local board of education members local policy making elites. The media has a large influence on constituents and these elected officials through the stories that they run and the attention they give to different issues. Through
the budgetary process, reauthorizations, etc., elected officials will often mandate certain actions to be done in order to achieve their goals different areas of policy. For example, federal Race to the Top (Rttt) dollars were used as incentives to encourage states and local school districts to implement performance pay for teachers (Rose, 2010).

Performance pay for teachers get on the political agenda when problem of how to pay teachers also hits the political and policy stream. Think tanks such as the Policy Exchange in Great Britain conducted a poll of teachers and claim that the majority of teachers support the idea of performance pay (Burns, 2013). Adams, Heywood, and Rothstein (2009), with the support of the Economic Policy Institute, another think tank, published a book encouraging the education field to learn from other sectors when determining how to pay teachers. With the support of different think tanks throughout society, political climate, and the economic realities of our times, it is very likely that performance pay for teachers will continue to be on the local, state and federal political agenda.

**Policy Analysis / Formulation**

“The design and drafting of policy goals and strategies for achieving them is policy formulation and often involves the use of policy analysis” (Kraft and Furlong, 2015, p 86). Steps involved with policy analysis / formulation include a problem analysis, constructing policy alternatives, developing evaluative criteria, and assessing the alternatives.

**Problem Analysis.** How should teachers be compensated? There is no single correct answer to this question, and school districts have designed their compensation systems differently. Ingle and Willis (2014) analyzed teacher contracts throughout the state of Ohio and identified 16 school districts that have implemented some sort of performance pay structure. They were able to categorize these 16 different districts into 4 different types of performance pay
including performance stipends, performance schedules, performance rates, and hybrid systems. Quantitatively speaking, it can be difficult to measure what compensation system is the best, but it is possible to compare school districts with their different compensation systems on the basis of their student performance based off of standardized test scores and district level student growth based off of value added measures. Ohio has begun to collect data on teacher evaluation ratings, aggregated by district and school, based off the Ohio Teacher Evaluation System (OTES). These ratings can also be utilized to compare districts with different compensation systems.

How teachers are compensated can affect a lot more people than just the individual teachers. The performance of teachers, which may be effected by their job and salary satisfaction levels, has a direct effect on student performance levels (Dean & Marzano, 2012). Student performance levels can have an exponential effect on society, effecting their future productivity, earnings, and citizenship. Public school teacher’s salaries are funded through the tax base, and if salaries increase as a result of new compensation systems, a logical result would also be a greater strain on taxpayers, and/or reductions elsewhere in the budget.

It is helpful to start by exploring the traditional pay scale in order to understand why one may want to create alternative pay methods. An argument for using the traditional pay scale for teachers is given by (Goldhaber, DeArmond, & Deburgomaster, 2011) when they point out in their literature review that by rewarding teachers’ years in the classroom, salary schedules reflect the fact that teachers learn from experience; by rewarding all teachers equally, salary schedules mitigate competition between teachers that might inhibit collaboration or knowledge exchanges. Salary schedules also spare school officials the embarrassment of assigning some students to highly paid teachers (but not others) and of avoiding arguments about the relative importance of
particular grades or subjects. In an analysis of Ohio’s teacher collective bargaining agreements, they determined that the majority of the districts continue to maintain single salary schedules (Ingle & Willis, 2014). Ingle and Willis (2014) also write, “the single salary schedule emerged as a means of addressing inequities in teacher compensation based on race, gender, and school type (elementary vs. secondary) that were prevalent.” “Teacher unions became vocal proponents of the single salary schedule, espousing its virtues as a fair means of paying teachers” (Ingle & Willis, 2014).

Goldhaber et al. (2011) provide a literature review of arguments against the traditional pay scale as well:

These advantages notwithstanding, critics argue that standard schedules have several shortcomings—they reward characteristics that are only weakly connected to teacher quality (Hanushek 1986; Hanushek and Rivkin 1997), they fail to recognize that some teaching jobs are harder than others (Prince 2002), and they create opportunity costs for people with special skills or abilities to enter teaching (Goldhaber et al. 2007; Goldhaber and Liu 2003). In short, single-salary schedules do little to “directly promote quality teaching and better schools (our emphasis) (Bacharach, Lipsky, and Shedd 1984:41).

It is clear that the traditional pay scale has certain advantages and was implemented in the first half of the 20th century for a reason, but there are also some concerns with the single salary schedule for teachers. Because of these concerns, Eric A. Hanushek and others have advocated for a performance based pay system for America’s teachers.

**Construct Alternatives.** When designing a performance pay system, one should develop alternatives for dealing with the problem of how to compensate teachers. Would it make sense to modify or strengthen the traditional teacher pay scale? The amount of money (supply) available from the tax base, with the help of the districts’ financial forecast, should always be considered before adjusting how teachers are compensated in a district. Creative thinking should be used when coming up with alternatives for compensated teacher. For example, reviewing
literature, surveys, brainstorming, and visualizing the ideal situation can all be helpful in determining how to best compensate teachers for a district.

Governments have different tools available to them to use to support districts design performance pay systems. Rttt and Ohio’s straight A fund are examples of inducements used to encourage innovative ideas in education such as performance pay. The federal and state governments can also use capacity building tools such as providing training and technical assistant to help districts design and implement alternative pay structures for their teachers. Ohio and the federal government can use instruments of public policy to achieve their means through: regulation, subsidizing, direct management, contracting out, taxing and spending, market mechanisms, privatizing, charging fees, educating, creating public trusts, and conducting research (Kraft and Furlong, 2015).

**Evaluative Criteria, Assessing Alternatives and Drawing Conclusions.** How teachers are compensated can be evaluated through multiple lenses. The effectiveness of a compensation system can be evaluated by asking “does it work?” The effects the system has on teaching, learning and student achievement can be measured through pre and post-tests, and causal comparative studies to other similar districts. The feasibility of new compensation systems can also be evaluated politically (will elected officials accept and support this new pay structure?), and socially (will the public accept and support this new pay system?) (Kraft and Furlong, 2015).

Professionals are often confronted with hard choices that involve making decisions about the distribution of scarce resources (Callahan, 1988, p 12). When school administrators are faced with these tough decisions, they need to make the distinction between what is most economical, and what is moral. Callahan (1988) stated, “Thus, the morally acceptable decisions are not reducible to the decisions to take the most economical alternative” (p. 12).
The topic of teacher compensation can be applied and analyzed using the thoughts of Callahan (1988). Different people will tend to have different opinions as to what the greater good actually is in relation to teacher compensation. A teacher’s perspective may be that the benefit maximization for educators would be to pay all teachers as much as possible. On the contrary, the average citizen could see benefit maximization as lowering taxes for all people, which would therefore reduce the revenue for a school district, lowering the amount of money available to pay teachers. A school treasurer, with his responsibility to developing accurate budgets may think the greater good is in the predictability of the traditional pay scale. Critics of the traditional pay scale may argue that it does not motivate teachers to improve their performance, and that the greater good is in a pay system encourages increased academic achievement of students and increases in the quality of teaching.

From a Utilitarian perspective, one could argue that the greatest good for the greatest amount of people is having a compensation system that motivates teachers to do their greatest work. Some may argue that a teacher’s compensation should be related to their performance, with the higher performing teachers earning a higher wage or receiving a bigger salary increase. If we pay our best teachers the best wages, it is logical that more educators would be willing to put forth a greater effort to in turn earn a higher wage. This increase in motivation would benefit society as a whole because students would be receiving greater efforts from their teachers. With teachers working harder, the benefits to society could be exponential and unmeasurable because the positive effects a teacher has on his or her students is nearly impossible to quantitatively measure fifteen or thirty years into the future.

From a Libertarian perspective, teachers should have a compensation system that is of maximum benefit to them individually. The compensation system that provides a teacher with
the greatest salary could be the system that a libertarian would prefer. The traditional pay
benefits teachers with much experience and high education levels. Having a high salary for
teachers near the end of their career benefits the teacher into retirement because the Ohio State
Teachers Retirement System (STRS) calculates benefits based off of the average of the five
highest paid years. The traditional pay scale also benefits all teachers because the teachers are
usually guaranteed step increases each year employed, where alternative pay systems may not be
as beneficial for teachers because they will not be guaranteed a raise each year.

Libertarians could prefer newer, alternative pay systems if they believe that the new pay
system will lead to greater compensation for teachers. A pay system that offers the opportunity
for teachers to receive greater increases in salary and higher salaries then they did under the
traditional pay scale is beneficial to the individual teachers receiving the higher salary.

A Utilitarian could be against these alternative compensation systems if teacher salaries
greatly increase thus leading to an increase in the local tax burden. If all citizens have an
increase in the amount of taxes they are paying to accommodate for the increase in teacher
salaries, then obviously, the greater good is not in these alternative compensation systems.

Balancing these two perspectives would be Liberal Egalitarianism. From this
perspective, we should have a teacher compensation system that balances liberty and equality.
We need an education system that has fair and ethical payment for its teachers. We need an
education system that has fair and ethical evaluations of its teachers.

We need a system that not only treats teachers equally and fairly, but also enables
teachers to have the ability increase their salary with their performance. Teachers should not be
stuck in a system that regardless if their performance, they are compensated the same. Teacher
A should not be rewarded for sitting at his desk, doing nothing to benefit children. Teacher B
should be rewarded more than he or she is if teacher B is going above and beyond, connecting with all their students, creating engaging lessons, and producing significant student learning.

In discussing his ethic of justice, Starratt (1991) explained the decision making process as weighing the benefits to society versus the benefits to the individual. What is good for society as a whole may not always be what is best for individual members of society. As discussed previously, hopefully our teacher compensation systems are designed in a way that teaches are motivated to improve their performance because it will benefit them individually and as a whole. In an ideal world, if a teacher’s performance increases because they are motivated by the benefits they receive in their job, with this increase in performance of the teacher, student performance should also increase. This increase in student performance should benefit society as a whole, while an increase in salary would benefit the teacher individually.

If there are elements of a teacher compensation system that are unfair or unethical to individual teachers, than the system not only harms the individual teacher, but the system may also have negative impacts on society. If teachers are displeased with their compensation system, often times the morale, culture, motivation, and performance of teachers also suffers. This in turn may lead to a decrease in student performance, which can have a negative impact on society.

If teacher salaries do increase, then there is a benefit to those individual teachers who will be receiving more income. However, the reality is with an increase in salary, the expenses of operating a school district will inevitably increase. Salaries and benefits already are the largest expense in a school district’s budget. Most districts struggle to continually have a balanced budget and not have to go back to voters for more money. When school districts need more money to operate, the solution usually is to ask the local tax payers for an increase in the amount
of taxes they pay the local district. Most would agree that an increase in taxes does not benefit society.

With the traditional teacher pay scale, it is relatively simple to predict future costs for the district under the line item of salaries. School treasurers often know where each teacher is on the pay scale, and are able to predict where they will be on the pay scale in the next year or five years later. School treasures in the state of Ohio are required by law to submit a five-year forecast each school year predicting the school’s revenue and expenses for the next five fiscal years. With the predictability of the traditional teacher pay scale, treasures have been able to be fairly accurate in their five-year forecasts. Most alternative teacher compensation systems will not be as predictable as the traditional pay scales. With the responsibility of creating accurate budgets, school treasurers benefit from the predictability of the traditional pay scale. Treasurers value this predictability and often advocate for keeping a traditional pay scale when school boards are negotiating contracts with teacher unions.

Most teacher unions, including national organizations such as the National Education Association and American Federation of Teachers also resist the implementation alternative compensation systems (Hoff, 2007). Unions often criticize the new systems as not being fair to all teachers, and the inequality in basing a teacher’s evaluation off of student test scores. Teachers as a group may be benefiting from the traditional pay scale. Many teachers may not receive raises or as high of raises under a new pay system. Often times the more veteran teachers are the ones who negotiate a contract for the teachers in a district. Since they are the veteran teachers, they have the most experience, receive the highest salaries, and benefit the most under traditional pays structures. Unions also often advise their younger, lesser paid teachers to stick with it, not create any waves, and they one day the future, also benefit from the traditional
pay scale when they have “earned” more years of experience and more education credits. The traditional pay scale emphasizes the value of earning more experience and the value of increasing the number of college credits and degrees that you possess.

Newer alternative pay systems usually do not value predictability, years of experience, or education attained. Newer systems may benefit younger teachers or teachers in hard to staff areas. Often times, the structure of newer systems may allow for a school superintendent to negotiate with a new employee their starting salary, and depending on the position, the superintendent may offer more to this beginning teacher than would have been offered under a traditional contract. For example, often times, advanced science teachers are hard to find, and a district may be prepared pay a teacher in this subject area a higher salary than a teacher in an easier to field position. Flexibility is part of the structure of alternative compensation systems, where a teachers compensation relate to the skills they bring to the workplace. Outstanding young teachers or high performing teachers in general may also be able to increase their salary at a faster rate than they would have been able to under a traditional pay scale, benefiting from a system that values performance.

Strike, Haller, and Soltis (2005) explain that school administrators often must decide between benefit maximization and equal respect. Benefit maximization is related to the utilitarian perspective, where you make decisions based off of the maximization of good (what is going to lead to the greatest student performance? What is best for the teaching profession as a whole?, etc.). Equal respect does not claim that all teachers need to be treated equally; rather, the perspective emphasizes the respect of all viewpoints. “The use of resources that best expresses equal respect for persons need not be the one that maximizes some outcome” (p.58). Using this decision framework, teachers could be treated differently by way of their
compensation if it is proven that the teachers are different. Under the traditional pay system, teachers are shown to be different by their years of service and coursework/degrees earned. The emphasis on new teacher evaluation systems could be a way to show the difference between teachers in relation to their performance or student achievement.

**Policy Legitimation**

“Policy Legitimation is the mobilization of political support and formal enactment of policies which includes the justification or rationale for policy action” (Kraft and Furlong, 2015, p. 86). Performance pay for educators usually is legitimized through the ratification of the teacher union contract by the local board of education and union members. Research showing effectiveness of performance pay structures, such as the dissertation completed by Razo (2014); also lead the legitimization of performance pay policies.

**Policy Implementation**

A set of activities and allocation of resources that put the policies and programs into effect is known as policy implementation (Kraft and Furlong, 2015, p. 86). Before changing the policy or contract to a performance pay structure, policy makers would do well to take small and reversible steps through pilot programs, carefully evaluate the results, and advance our understanding of what is acceptable to teachers and what works. Successful adoption of compensation reform will depend on the relationship between districts and union officials (Goldhaber et al., 2011). Belfield and Heywood (2008) provide the following guidance for those interested in creating or expanding performance pay for teachers.

First, teaching may appropriately be identified as team production and that as such formally identifying the teams or its components stands as a first step in establishing a proper performance pay scheme. Second, payment schemes that persist appear to pay more to teachers. The productivity increases and the attraction of more productive workers each depend on this being true and suggest that the advantages of performance pay are not free. Also, such pay may be less
influential that the opportunities to work outside the school system. Finally, performance pay tends not to be associated with higher levels of job satisfaction. Implementing a performance pay system will face resistance, and may not lead to the intended results while having unintended consequences.

The implementation of a performance pay system in your organization is a major change, and change researchers such as John Kotter, Kurt Lewin, and Edgar Schein offer insight on how to bring about successful change in your organization. A eight stage process for creating major change include: establishing a sense of urgency, creating a guiding coalition, developing a vision and strategy, communicating the change vision, empowering broad based action, generating short term wins, consolidating gains and producing more change, and anchoring new approaches in the culture (Kotter, 2012). Lewin has a simpler change process with his three-stage approach of unfreezing, changing, and freezing (Hersey, Blanchard, & Johnson, 2001). Schein takes Lewin’s ideas a step further when he adds his idea of psychological safety where when you are attempting to implement change, you should increase the anxiety or fear of not changing and decrease the anxiety of changing during the unfreezing stage (Hersey et al., 2001). In all of these theories, there is a starting point in the change process where people within the organization must understand the need to make a change, and with moving towards a performance pay system, a logical place to start would be pointing out the problems with a traditional pay scale.

Program Evaluation

“The measurement and assessment of policy and program effects, including success or failure” is known as policy and program evaluation (Kraft and Furlong 2015, p. 86). After a performance pay structure has been implemented, it is imperative to evaluate the effectiveness of the structure. Has performance pay led to an improvement in teacher and student performance? Are there any unintended consequences of this new pay structure? For example, some merit pay
structure may lead to teachers competing against each other for raises, which could lead to a decrease in teacher collaboration. As pressure mounts for educators to improve their performance, some districts such as Atlanta turned to cheating to show improvement (Kraft and Furlong, 2015, p. 353). What effects has the performance pay structure had on the districts’ budget? All of these questions should be answered when evaluating a performance pay system for teachers?
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