File 2 merit pay

What Do We Know About Merit Pay for Teachers?

Merit pay is a compensation system that provides teachers with monetary awards for outstanding performance. Such systems aim to improve student performance by rewarding the best teachers and providing an incentive for all teachers to improve their practice.

Historically, most merit pay plans have provided compensation to individual teachers based on observations of their performance in the classroom. However, in recent years more states, districts and schools have been implementing merit pay systems that *reward whole schools* based on student performance, or that *reward individual teachers* for the attainment of certain *competencies*. As discussed below, the research suggests that compensation systems in the latter two categories may be more promising.

Merit pay for individual teachers based on observations of their classroom performance has not been a successful strategy for improving teaching and learning. A wide variety of merit pay programs for individual teachers have been tried in districts across the country. Although one study found districts that reported a few positive effects, most of the research on merit pay has concluded that the programs are fraught with problems and have not improved instructional practices:

Positive effects: In a 1994 study of 13 school districts with merit pay programs, Hatry and colleagues found that nine of the 13 districts reported that programs were associated with positive outcomes such as reduced teacher absenteeism and turnover; improved teaching practices among borderline teachers; or an increased concern among teachers about the weaknesses of their teaching practices. However, some districts also reported negative effects such as teacher dissatisfication with the programs due to the perceived subjectivity of the performance reviews. In addition, few districts attempted to evaluate the effects of the plans on student achievement, and none of the districts reported significant gains in student achievement.

Problems and negative effects: Several prominent researchers (Murnane and Cohen, 1984) have argued that teachers' work does not satisfy the conditions under which performance-based compensation for individual workers is an effective motivator for improved performance. **In addition, most research has not found a relationship between merit pay for individual teachers and improved teaching and learning.** The lack of positive effects may be due to the following features:

(1) Most merit pay plans have created competition among teachers by trying to identify a small percentage of the "best" or "excellent" teachers. This kind of program conflicts with the collegiality and cooperative culture found in the most effective schools. Therefore, merit pay plans can undermine rather than reinforce good school performance.

(2) There has been a lack of consensus about what qualifies as effective teaching, and many past merit pay programs have simply rewarded teachers for additional work performed outside of the classroom rather than for effective instructional practices. "Excellent" teaching or the "best" teaching is difficult to define and research shows that most schools have not implemented effective, objective performance evaluations of teachers. In many merit pay programs that have been studied, teachers have been rewarded for doing work outside of the classroom -- work that often has had nothing to do with teaching. Therefore, many of these programs have not been true "merit pay" programs; they have been "additional pay for additional task" programs.

(3) Districts and states have generally not provided stable funding for merit pay programs, and this lack of stability has undermined the incentives that such programs were intended to create. Individual merit pay programs have often been funded at low levels and have be defunded during times of fiscal stress.

(4) Many individual merit-pay programs have been associated with teacher morale problems stemming from the resulting competition among teachers, the perception of unfair evaluation practices, and the use of quotas in determining the number of teachers to receive awards. With a few exceptions, teachers and teacher organizations have generally opposed individual teacher merit-pay programs.

Collective merit pay for whole schools or groups of teachers (school-based performance awards) may be a more effective strategy for improving teacher performance and student outcomes. Many researchers and educators argue that group merit pay plans have the potential to motivate teachers to higher levels of performance while overcoming the problems associated with merit pay for individual teachers. These plans provide a monetary award to an entire faculty when school-wide student achievement reaches or exceeds expected levels of improvement. Kentucky, South Carolina and about 12 other states or districts have collective merit pay programs in place. Although more research is needed, there is emerging evidence that some of these programs are achieving the desired effects.

For example, in 1991-92 the Dallas school district implemented one of the most complete and sophisticated accountability systems of any big-city district in the country. The centerpiece of the Dallas program includes bonuses to the staff based on gains in students' test scores. All staff in the winning schools receive individual monetary rewards, and the school itself receives money for its activity fund. Clotfelter and Ladd (1996) found that when scores were evaluated against comparable school districts in Texas, the Dallas program had a positive impact on test results.

Preliminary findings from research conducted by the Consortium for Policy Research in Education (CPRE) indicate that some school improvement strategies that have included school-based performance awards have been associated with changes in teaching practice (Kelley, Milanowski, Heneman, 1998). However, the researchers view the school-based performance awards as one part of larger school improvement strategies that include other critical elements such as strong curriculum, aligned assessment systems, and other key supports. Nevertheless, the performance awards appear to be playing an important role. Preliminary observations indicate that the awards have helped teachers to focus their efforts in productive ways because they signal that the highest priority is to help students achieve in the core academic subjects (Odden, 1998).

Group merit pay plans can also have some downsides. For example, in Houston, Texas and Seiling, Oklahoma where group pay plans were used, some teachers who individually performed well did not receive an outstanding educational progress bonus because their schools did not meet the targeted test scores (Hatry, 1994). However, proponents of group incentives argue that over the long term, peer pressure within the group encourages poor performers to improve their practice.

A variation on the traditional form of merit pay -- additional pay for individual teachers who demonstrate certain professional competencies -- may be a more effective strategy for improving teacher performance and student outcomes. A variation of the traditional merit pay program is a program of competency-based pay that rewards teachers for developing and using knowledge and competencies described by external professional standards and valued by schools. In this system of pay, skill attainment is assessed relative to predetermined, clear-cut standards -- mastery of particular knowledge or sets of skills.

Programs that provide rewards to teachers based on the attainment of clearly specified skills avoid some problems found in many traditional merit pay programs -- the perception that the evaluations are unfair and subjective, and competition among teachers. Whereas traditional merit pay systems have used subjective measures of classroom observations to evaluate teachers against one another for a fixed pool of funds, competency-based pay systems signal the kinds of competencies a school wants its faculty to acquire in order to better educate students.

In addition, research shows that teachers are motivated by opportunities to engage in professional development and improve practice. Thus, a competency-based pay system can add an extrinsic reward to existing, intrinsic motivators. Finally, Allan Odden and Carolyn Kelley argue that competency-based pay "enables an organization to enhance overall capacity by investing in its people and thus expand its human capital." (Page 76, Odden and Kelley).

Odden and Kelley argue that under a competency-based compensation system teachers can be rewarded for developing expertise in three broad areas: (1) depth of knowledge in content, curriculum and instruction; (2) breadth of skills in nonteaching functions, such as curriculum development or counseling; and (3) management skills necessary to work in site-based managed schools. Indeed, additional compensation for teachers who achieve National Board for Professional Teaching Standards (NBPTS) certification represents competency-based pay in the first broad area and can be viewed as a form of merit pay. Currently, a number of states and local school districts provide salary supplements to teachers who achieve National Board Certification.

Odden and Kelley argue that a local, state, or national skills assessment system could identify and assess additional milestones in skill, knowledge, and competency development between initial professional licensure and certification by the NBPTS. Local school districts could determine salary increases based on teacher performance on the competency assessments.

Future Research and Information: More research is needed on the effects of school-based performance awards and competency-based pay for individual teachers. In August of 1998, the CPRE Teacher Compensation project will be releasing a research paper on school-based performance awards in Kentucky and North Carolina. In addition, the Teacher Compensation team is involved with several projects that support school-based performance systems and competency-based pay systems. First, the team is developing a "curriculum" to use in design seminars at which district and state union and management teams can create both school-based performance awards and knowledge and skill pay elements. Second, the team is proving direct technical assistance in several cities engaged in developing changes in their teacher compensation systems. Finally, the team is working with members of the Teacher Union Reform Network (TURN) to identify different and new models of teacher salary schedules and is beginning to organize an annual conference on innovations in teacher compensation.

Conclusions: Traditional merit pay systems that have used classroom observations to evaluate teachers against one another for a fixed pool of funds have generally not been successful in improving teacher practice and student outcomes. Emerging research suggests that merit pay systems that reward teams of teachers or whole schools for improved student performance, or that reward individual teachers for acquisition of clearly defined competencies may be more effective forms of merit pay for teachers. Finally, any system of additional compensation cannot single-handedly transform instructional practices. Rather, any form of merit pay should be viewed as one piece of a larger educational improvement strategy that includes clear goals for students and teachers, a strong curriculum, and other important elements.

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