



**AMERICAN ASSOCIATION
OF SCHOOL ADMINISTRATORS**

**Exploring the Possibility and Potential for
Pay for Performance in America's Public Schools**

June 2009

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About AASA

The American Association of School Administrators, founded in 1865, is the professional organization for more than 13,000 educational leaders in the United States and throughout the world. AASA's mission is to support and develop effective school system leaders who are dedicated to the highest quality public education for all children. For more information, visit www.aasa.org.

Abstract

In response to a growing dialogue at the local, state and national levels around the idea of restructuring teacher pay to include performance measures, the American Association of School Administrators surveyed a randomly selected sample of its members to gauge their feedback and interest in pay-for-performance programs. AASA launched this survey in light of the renewed national conversation and feedback from AASA members who sense a shift in the tide of teacher compensation. For the purposes of this survey, AASA used the term "pay for performance" to represent a compensation system that uses financial incentives/motivation for employees.

A total of 536 school administrators from 45 states completed the 10-question survey in May 2009. The majority of respondents were superintendents (86 percent) and associate or assistant superintendents (13 percent). Fifty-two percent of respondents came from rural districts, 35 percent from suburban districts, and 13 percent from urban districts.

There is a diversity of opinion among school system leaders about pay for performance programs .

Roughly 45 percent of respondents expressed moderate to strong interest in exploring pay-for-performance programs, whether at the individual, group or system level. More than 20 percent of respondents have no interest in exploring pay-for-performance programs at any level. Respondents think that any pay for performance model should be implemented across all educator levels. When asked which educators should receive performance-based pay, 15 percent said teachers, 14 percent said principals and 9 percent said administrators. An overwhelming majority – 82 percent -- said all three groups -- teachers, principals and administrators -- should be included in pay-for-performance plans.

School administrators identified a variety of motivating factors, indicators and anticipated obstacles that influence their consideration of pay for performance.

The number-one motivation to implement pay-for-performance is improving student achievement, followed by improving teacher effectiveness. Respondents identified a variety of system and individual indicators they would consider in a pay for performance model. Student achievement (89 percent) and teacher evaluations (68 percent) were the top two indicators. Teacher union resistance (75 percent), the capacity to link teacher evaluation and/or student achievement to evaluations (66 percent) and accuracy of performance measures (65 percent) were the top three anticipated obstacles.

Successful implementation of pay-for-performance models will require an ongoing dialogue that involves all members of the education community to answer tough questions, covering everything from who is involved and what the model will look like to how the model will be evaluated and sustained. As the dialogue around pay for performance moves forward, it is vital to recognize that the prevalence and structure of pay for performance in America's public schools is not — and should not be — identical to that of the private sector. Public schools, as institutions independent of the private sector, need to know about private-sector pay-for-performance plans not so they can be carbon copied, but so schools can consider whether aspects of the plans can be applied successfully to public schools.

Report of Findings

Introduction

In response to a growing dialogue at the local, state and national levels around the idea of restructuring teacher pay to include performance measures, AASA surveyed a randomly selected sample of its members to gauge their feedback and interest in pay-for-performance programs. For the purposes of this survey, AASA used the term “pay for performance” to represent any compensation system using financial incentives/motivation for its employees that, in the education arena, would most likely link additional compensation to teacher/administrator effectiveness/performance.

The Obama Administration, through the 2009 American Recovery and Reinvestment Act and the FY 2010 budget proposal, renewed a national dialogue around the linking of educator performance and pay. While stopping short of implementing specific policy, the stimulus and budget plans provide incentives at both the state and local levels for innovative approaches to improving education and teaching, including pay for performance. AASA launched this survey in light of the renewed national conversation and feedback from members who sense a shift in the tide of teacher compensation.

Background

Teacher pay is, for the most part, currently characterized as a single-salary schedule driven by two factors: years of experience and level of education/certification. The single-salary schedule emerged in the middle of the 20th century in response to discrimination in the former pay structure, which was essentially a differentiated pay model that rewarded high school teachers and men more than elementary school teachers and women. In an effort to eliminate the discrimination towards women, a more neutral approach — in this instance, salary commensurate with education and experience — was implemented.

Coming into the 21st century, the shift in public thinking around teacher salaries has kept in line with a broader paradigm shift towards focusing on what happens to children. In this instance, it means that rather than adjusting pay schedules to compensate for inequalities among adults, current dialogue focuses on how the pay model impacts children.

Recent trends have given increased attention to the use of performance-based pay for teachers, somehow tying teachers’ salaries to the standardized test scores of their students. Supporters maintain that pay for performance would both incentivize teachers to focus on student outcomes and help improve the teacher labor market by attracting talented individuals to the field with the promise of higher pay. If teachers are supposed to increase students’ knowledge and skills, they should be rewarded/punished based on how their students do, say supporters of performance-based pay, adding that pay for performance would incentivize teachers to do better and students to learn more. Detractors argue that teachers would not be motivated by money more than a desire to provide quality instruction. They also argue that it is unlikely teachers are currently working at less than their best or that a financial incentive would push them to do their best.

Keeping the conversation at a 30,000-foot level to avoid a battle over semantics, the idea of pay for performance, as used in this survey, refers to any compensation system using financial incentives/motivation for its employees. Stepping away from a specific field, the idea of pay for performance (or “merit pay” or “strategic compensation”) is not a new one. In fact, it has a long history in other professional arenas, especially the private sector. There is much to understand about how pay for performance is utilized in other industries including its structure, function, frequency and success. The crucial component to any pay-for-performance model is the link between salary and some measure of performance. What that measure is, how it is evaluated and how extensively it impacts compensation is a completely separate conversation for a separate survey and analysis.

The taxonomy of pay for performance is explained in a model developed by Milkovich and Widgor (1991) and updated by Adams and Heywood (2009). The model incorporates the level at which performance is measured (group vs. individual), whether the pay increment is permanent (one time vs. added to base) and the performance measurement (formulaic vs. judgmental). As Adams and Heywood write,

“...Each of the major types of performance pay can be seen as roughly fitting into this three-way taxonomy. Piece rates and commissions that reward workers for their units produced or sales are schemes that do not add to base, are individual, and formulaic. Typical merit pay plans add to base, are individual but judgmental as they are based on a performance evaluation. Gain sharing and profit sharing do not add to base, are group and formulaic. Typical bonuses may be group or individual, do not add to base, and are often judgmental based on appraisal.” (p. 16) (See Fig. 1)

Fig. 1

| | | Level of Measurement | | |
|----------------------|-------------|----------------------|--|------------------------------|
| | | <i>Individual</i> | <i>Group</i> | |
| Relationship to Base | Adds | <i>Formulaic</i> | Promotions, sales territory assignment | |
| | | <i>Judgmental</i> | Merit pay plans | Small group incentives |
| | Doesn't Add | <i>Formulaic</i> | Piece rates, commissions | Gain sharing, Profit sharing |
| | | <i>Judgmental</i> | Bonus tied to appraisal | Team bonus |

The role of pay for performance as based on numerical measures is not a common or widespread as public opinion seems to indicate. Rather, through their analysis of several large surveys of workers and firms, Adams and Heywood report that this specific type of pay for performance—the very type that is being considered for teacher pay—actually has a relatively small role in the private sector. Their analysis had three basic conclusions:

“...Pay tied directly to explicit means of employee or group output is surprisingly rare in the private sector... ‘Non production’ bonuses, which are less explicitly tied to worker productivity, are common, and their use has grown over time...the incidence and growth of bonus pay is disproportionately concentrated in the finance, insurance and real estate industries...” (p. 6)

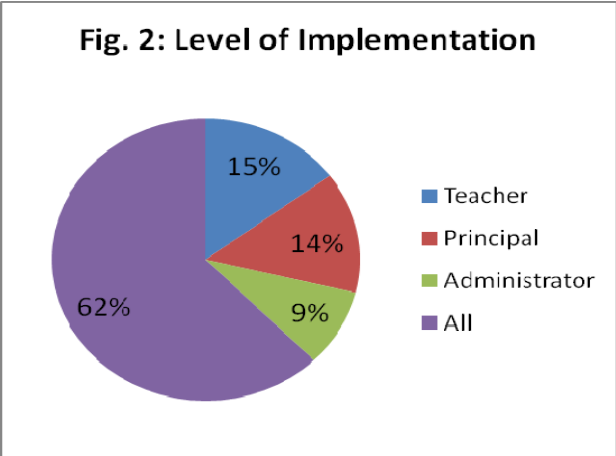
Armed with this information about the role of pay for performance in the private sector, we can use the survey results to understand what, if any, role pay for performance can have in education, based both on feedback from the field and academic analysis.

Survey Results

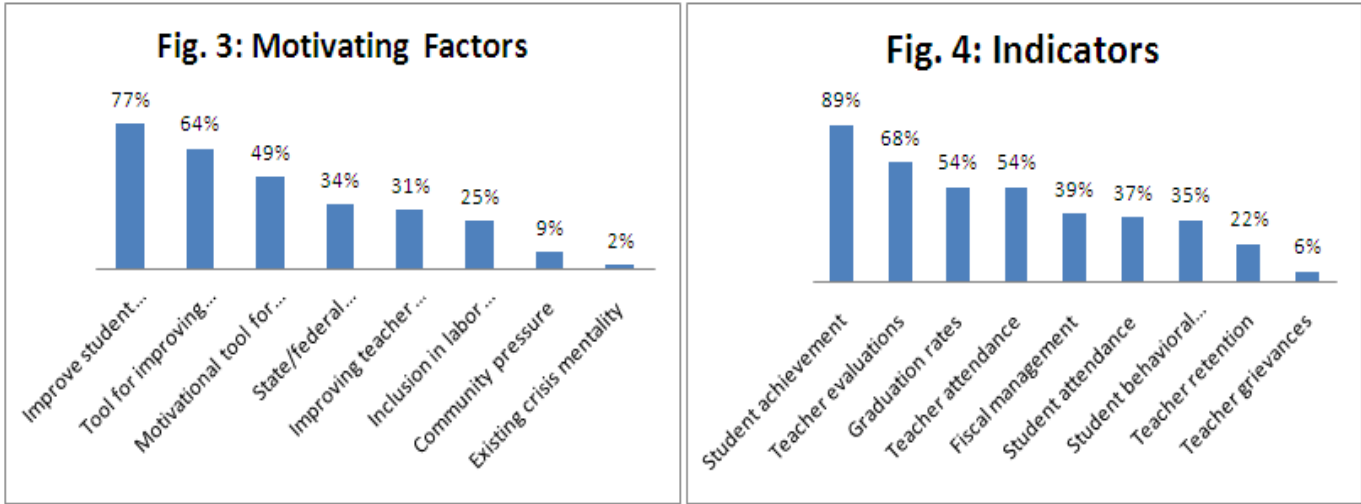
AASA members who responded to the survey were split regarding their level of interest in pay for performance. Interest levels held relatively stable when examined by community type or enrollment size. Results are reported at three levels, to reflect the different levels of interest reported for pay-for-performance models at the individual level (an individual teacher is rewarded), the intermediary level (a group or team of teachers is rewarded) and the system level (every teacher in the system is rewarded).

- More than 20 percent of respondents had no interest in pay-for-performance programs, and held steady across levels: Twenty-three percent of respondents had no interest in teacher-level pay-for-performance programs, very similar to the 22 percent and 24 percent who gave “no interest” responses for intermediate and system-level programs, respectively. (Q1)
- Forty-four percent of respondents reported a moderate/strong interest in a pay-for-performance program at the individual level. Five percent of respondents reported that they are already pursuing such a program in their district. (Q1)
- Forty-six percent of respondents reported a moderate/strong interest in a pay-for-performance program at an intermediary level. Five percent of respondents reported that they are already pursuing such a program in their district. (Q1)
- Forty-four percent of respondents reported a moderate/strong interest in a system-wide pay-for-performance program. Five percent of respondents reported that they are already pursuing such a program in their district. (Q1)

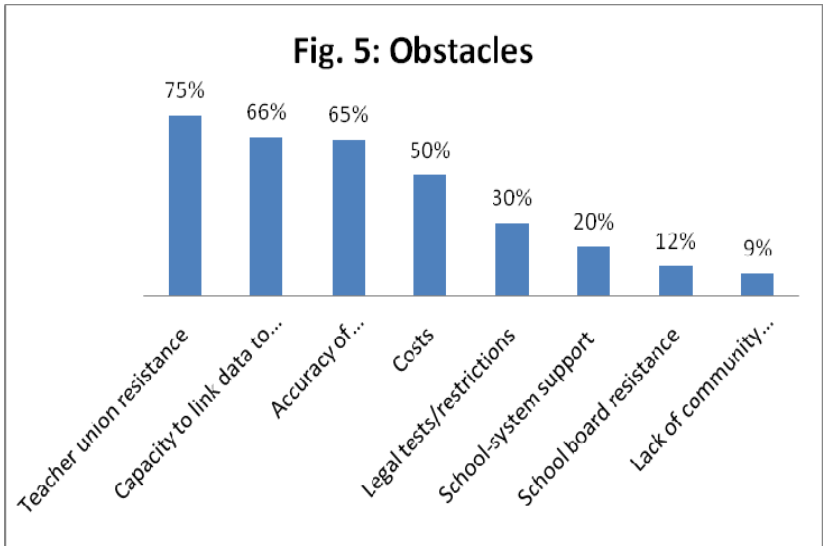
Drilling further into the implementation of a pay-for-performance program, respondents were asked to identify which educators should be included in the model. Far and away, respondents think that any pay-for-performance model should be implemented at all educator levels, including teacher, principal and administrator. Fifteen percent of respondents identified the teacher level, 14 percent identified the principal level, 9 percent identified the administrator level, and 62 percent identified all three levels. (Q2) (See Fig. 2)



School administrators identified a variety of motivating factors that influence their consideration of pay for performance. Not surprisingly, the number-one motivation to implement a pay-for-performance program is improving student achievement, followed by improving teacher effectiveness. (Q4) (See Fig. 3) Respondents identified a variety of system and individual indicators they would consider in a pay-for-performance model. Student achievement (89 percent) and teacher evaluations (68 percent) were the top two indicators. (Q3) (See Fig. 4)



Looking toward implementation of a pay-for-performance program, respondents identified several potential obstacles to implementing such a program. Teacher union resistance (75 percent), the capacity to link teacher evaluation and/or student achievement to evaluations (66 percent) and accuracy of performance measures (65 percent) were the top three anticipated obstacles. (Q5) (See Fig. 5)



Taking a closer look at the links between motivations to implement a pay-for-performance program and the indicators within a program provided interesting insights. Of those respondents identifying a desire to improve student achievement as a motivation for implementing a pay-for-performance program, using student achievement data was their top choice (94 percent) when asked to identify the indicators they would use in a pay-for-performance model, followed by teacher evaluations (71 percent), graduation rates (62 percent) and teacher attendance (55 percent). Interestingly, using student achievement data as an indicator was more common among respondents motivated by a crisis mentality (100 percent) and those motivated by a labor agreement (95 percent). (Q3, Q4)

Not surprisingly, among those respondents identifying 'improving teacher effectiveness' as a top motivation, student achievement (93 percent), teacher evaluations (77 percent), graduation rates (62 percent) and teacher attendance (58 percent) were the top four indicators they would use in a pay-for-performance model. (Q3, Q4)

Use of student behavioral figures (such as suspensions and expulsions) as an indicator in a pay-for-performance model ranked relatively low (only 35 percent) regardless of motivation, with one exception. Respondents who identified a crisis mentality as a motivation were more than twice as likely (78 percent) to include student behavioral figures as an indicator. Speaking more generally, respondents were more likely to identify fiscal management as an indicator in a pay-for-performance program when motivations were more external (community pressure, a state/federal legislative mandate or a labor agreement). (Q3, Q4)

Cross-referencing motivations against anticipated obstacles starts to identify potential gaps or hiccups that can occur between conception and implementation. Respondents motivated by a labor agreement were much more likely to anticipate teacher union resistance as an obstacle (92 percent). Respondents motivated by a state/federal legislative mandate were more likely to identify cost as a potential obstacle (63 percent). Respondents motivated by community pressure were more than twice as likely to identify school system support as an obstacle (44 percent). Interestingly, the same group was also more than twice as likely to identify lack of community support as a potential obstacle (15 percent). (Q4, Q5)

Demographics

- A total of 536 school administrators from 45 states completed the brief 10-question survey in May 2009. (Q10) (See Table 1)
- Fifty-two percent of respondents describe their district as rural. 13 and 35 percent described their district as urban and suburban, respectively. (Q9) (See Fig. 6)
- Fifty-three percent of respondents work in districts with total student enrollment below 3,000. 82 percent work in districts with student enrollment below 10,000. (Q8)(See Fig. 7)
- Eighty-six percent of respondents are superintendents, with an additional 13 percent working as associate or assistant superintendents. (Q7)

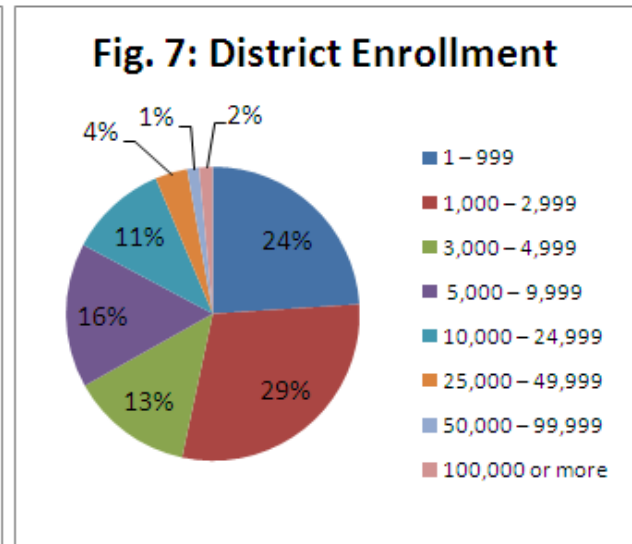
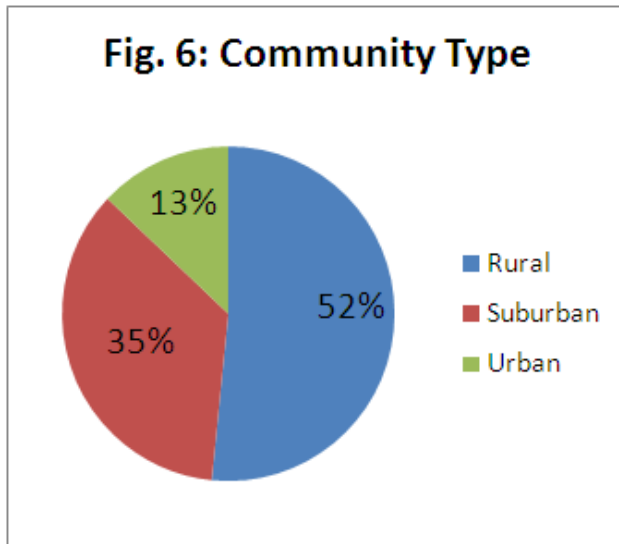


Table 1

| State | Count | State | Count | State | Count | State | Count | State | Count |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| AL | 7 | HI | 0 | MA | 10 | NM | 0 | SD | 7 |
| AK | 6 | ID | 5 | MI | 19 | NY | 36 | TN | 2 |
| AZ | 15 | IL | 32 | MN | 29 | NC | 7 | TX | 21 |
| AR | 6 | IN | 14 | MS | 0 | ND | 9 | UT | 2 |
| CA | 14 | IA | 28 | MO | 15 | OH | 16 | VT | 4 |
| CO | 9 | KS | 10 | MT | 7 | OK | 8 | VA | 17 |
| CT | 17 | KY | 6 | NE | 24 | OR | 5 | WA | 9 |
| DE | 0 | LA | 0 | NV | 4 | PA | 24 | WV | 1 |
| FL | 3 | ME | 4 | NH | 6 | RI | 3 | WI | 33 |
| GA | 6 | MD | 1 | NJ | 24 | SC | 5 | WY | 3 |

Different Sectors, Different Structures: Pay-for-Performance Structure Will Vary Between the Public and Private Sectors

What does all of this mean for pay for performance in America's public schools? Three things:

1. School leaders' level of interest in implementing some type of pay-for-performance model is varied.
2. Any pay-for-performance model should be a small component of overall salary, not the driving factor.
3. A lot of work remains to be done. Successful implementation of any pay-for-performance model will require an ongoing dialogue that involves all members of the education community to answer many of the tough remaining questions, covering everything from who is involved and what the model will look like to how the model will be evaluated and sustained.

Tackling perhaps two of the largest topics, the prevalence and structure of pay-for-performance models, education researcher Richard Rothstein describes how the public perception of private sector pay-for-performance models is slightly overstated. Private sector programs are not as quantitatively driven, as the programs being considered in education:

“...Although incentive pay systems are commonplace, they are almost never based exclusively or even primarily on quantitative output measurement for professionals. Indeed, while the share of private sector workers who get performance pay has been increasing, the share who get such pay based on numerical output measures has been decreasing...The business management literature nowadays is filled with warning about incentives that rely heavily on quantitative rather than qualitative measures. For business organizations, quantitative performance measures are used warily, and never exclusively.” (p 89)

To this end, the AASA survey included an open-ended question inviting respondents' thoughts and comments. As always, AASA's members were able to frame and flesh out the beginnings of a very meaningful conversation around the role of pay for performance in America's public schools. Given the volume and length of the submitted comments, they have been summarized here.

Based on the open-ended responses, it is clear that any conversation around pay for performance should recognize that administrators expect excellence from all of their staff. Echoing a common sentiment of those opposed to pay-for-performance models, some respondents indicated that they do not buy the argument that teachers are motivated more by money than a desire to provide quality instruction for students. They argued that good teachers are already doing the best they can, and performance-based pay is highly unlikely to improve their teaching ability. They also contend that poor and mediocre teachers do not become better teacher because more money is offered. Regardless, respondents agree that something needs to be done to both recognize great teachers and keep them in the field. Put more succinctly, money alone is not the answer -- educational reform based on best practices will impact student achievement. Additionally, respondents noted that accountability for improvement permeates all levels of the district, so that teachers are accountable for students, principals are accountable for teachers, superintendents are responsible for principals, and school boards are accountable for superintendents.

The core themes that emerged from the open-ended responses included the idea that successful pay-for-performance plans will be built around the ability to assess student growth in a way that teachers, administrators and the public believe is accurate and fair. So many factors — both qualitative and quantitative — go into student achievement that it becomes difficult to directly attribute student performance to a teacher’s successes or failings. A successful plan would reach beyond a single state assessment and would most likely include multiple measures. Respondents also indicated that an individual’s performance would need to incorporate several indicators beyond student test scores, including work performance and willingness and ability to grow.

Several additional comments, while not widely articulated, did propose interesting facets and considerations as the discussion of pay for performance moves forward:

- What, if any role, does pay for performance have in district-level areas that are business related, like transportation, food service and grounds/facilities?
- The lack of an objective measure on which to base performance pay is constantly cited as an obstacle for pay-for-performance models. Education and policy leaders need to be looking into training models that improve the ability of principals and school administrators to make fair evaluations for pay-for-performance.
- Beyond linking pay for performance, what is the thinking around differentiated pay?
- The current economic downturn will definitely impact the ability of state and local leaders to implement pay-for-performance models.

As the dialogue around pay for performance moves forward, it is vital to recognize that the prevalence and structure of pay for performance in America’s public schools is not — and should not be — identical to that of the private sector. Public schools, as institutions independent of the private sector, need to know about private-sector pay-for-performance plans not so they can be carbon copied, but so schools can consider whether aspects of the plans can be applied successfully to public schools..

References

Adams, S., Heywood, J. & Rothstein, R. (2009). *Teachers, Performance Pay, and Accountability: What Education Leaders Should Learn from Other Sectors*. The Economic Policy Institute: Washington D.C.

APPENDIX

Dear AASA Member,

You have been invited to participate in the latest AASA survey, designed to gauge member feedback and interest in pay-for-performance programs. Your feedback is important. Please click the link below to complete the quick 10-question survey.

For the purpose of this survey, please note that ‘pay-for-performance’, ‘merit pay’ and ‘strategic compensation’ are used interchangeably, representing a compensation system that uses financial incentives/motivation for its employees. In the education arena, it would more likely than not somehow link the additional compensation to teacher/administrative effectiveness/performance.

Thank you, in advance, for taking the time to complete our survey.

Noelle Ellerson
Policy Analyst

| 1. Please rate your district's level of interest in a pay-for-performance program | | | | | | | | | | |
|---|-------------|-----------|-----------|----------|-------------------|----------|----------|----------|-----------------|------------------|
| Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option. | No interest | 2 | 3 | 4 | Moderate Interest | 6 | 7 | 8 | Strong Interest | Already Pursuing |
| At the individual teacher level (individual teachers are rewarded) | 120 23% | 62 12% | 54 10% | 32 6% | 91 17% | 32 6% | 44 8% | 34 6% | 36 7% | 28 5% |
| At an intermediary level (teams/groups of teachers are rewarded) | 118 22% | 53 10% | 45 9% | 42 8% | 88 17% | 49 9% | 44 8% | 27 5% | 38 7% | 24 5% |
| At the system level (all teachers in the system are rewarded) | 125 24% | 62 12% | 47 9% | 39 7% | 87 17% | 31 6% | 34 7% | 37 7% | 36 7% | 25 5% |

| 2. If your district were to implement a pay-for-performance plan, please indicate the levels where you think performance pay should be included in evaluations: | | |
|--|-----|-----|
| Teacher | 101 | 20% |
| Principal | 94 | 18% |
| Administrator | 60 | 12% |
| All three levels | 423 | 82% |

Please note the percentages for Q2 were recalculated as a percentage of overall responses. This is why the numbers in Fig. 2 do not match.

3. Of the system and individual indicators listed below, please mark those you would consider in a pay-for-performance model:

| | | |
|--|-----|-----|
| Student attendance | 195 | 37% |
| Graduation rates | 285 | 54% |
| Student behavioral figures (suspensions, expulsions, etc...) | 181 | 35% |
| Teacher retention | 117 | 22% |
| Teacher attendance | 281 | 54% |
| Teacher grievances | 31 | 6% |
| Fiscal management | 204 | 39% |
| Teacher evaluations | 357 | 68% |
| Student achievement | 467 | 89% |
| Other, please specify | 92 | 18% |

4. What would motivate your decision to implement a pay-for-performance program?

| | | |
|--|-----|-----|
| Desire to improve student achievement | 405 | 77% |
| Motivational tool for teachers | 258 | 49% |
| Tool for improving teacher effectiveness | 336 | 64% |
| Community pressure | 46 | 9% |
| Improving teacher recruitment/retention | 164 | 31% |
| An existing 'crisis mentality' | 9 | 2% |
| State/Federal legislative mandate | 180 | 34% |
| Inclusion within labor agreement | 134 | 25% |
| Other, please specify | 49 | 9% |

5. What obstacles do you expect/ have you experienced in implementing a pay-for-performance program?

| | | |
|---|-----|-----|
| Teacher union resistance | 392 | 75% |
| Costs | 263 | 50% |
| School board resistance | 64 | 12% |
| Lack of community support | 45 | 9% |
| Capacity to link teacher evaluation and/or student achievement to evaluations | 347 | 66% |
| School-system support | 105 | 20% |

| | | |
|----------------------------------|-----|-----|
| Legal tests/restrictions | 156 | 30% |
| Accuracy of performance measures | 341 | 65% |
| Other, please specify | 42 | 8% |

6. Please share any additional comments you may have relating to pay-for-performance, including suggestions for AASA research, meeting topics, professional development opportunities, and general thoughts/observations.

180 Responses

7. What is your current position?

| | | |
|---------------------------------|------------|-------------|
| Superintendent | 457 | 86% |
| Associate/deputy superintendent | 26 | 5% |
| Assistant Superintendent | 41 | 8% |
| Director | 4 | 1% |
| Principal | 1 | 0% |
| Other, please specify | 5 | 1% |
| Total | 534 | 100% |

8. How many students were enrolled in your district as of January 2009?

| | | |
|-----------------|------------|-------------|
| 1 – 999 | 128 | 24% |
| 1,000 – 2,999 | 157 | 29% |
| 3,000 – 4,999 | 72 | 13% |
| 5,000 – 9,999 | 85 | 16% |
| 10,000 – 24,999 | 58 | 11% |
| 25,000 – 49,999 | 19 | 4% |
| 50,000 – 99,999 | 7 | 1% |
| 100,000 or more | 8 | 1% |
| Total | 534 | 100% |

| 9. My school district is best described as: | | |
|---|------------|-------------|
| Rural | 276 | 52% |
| Urban | 69 | 13% |
| Suburban | 190 | 36% |
| Total | 535 | 100% |

| 10. My school district is located in: | | |
|---------------------------------------|----|----|
| AL | 7 | 1% |
| AK | 6 | 1% |
| AZ | 15 | 3% |
| AR | 6 | 1% |
| CA | 14 | 3% |
| CO | 9 | 2% |
| CT | 17 | 3% |
| DE | 0 | 0% |
| FL | 3 | 1% |
| GA | 6 | 1% |
| HI | 0 | 0% |
| ID | 5 | 1% |
| IL | 32 | 6% |
| IN | 14 | 3% |
| IA | 28 | 5% |
| KS | 10 | 2% |
| KY | 6 | 1% |
| LA | 0 | 0% |
| ME | 4 | 1% |
| MD | 1 | 0% |
| MA | 10 | 2% |
| MI | 19 | 4% |
| MN | 29 | 5% |
| MS | 0 | 0% |
| MO | 15 | 3% |
| MT | 7 | 1% |
| NE | 24 | 5% |
| NV | 4 | 1% |
| NH | 6 | 1% |

| | | |
|--------------|------------|-------------|
| NJ | 24 | 5% |
| NM | 0 | 0% |
| NY | 36 | 7% |
| NC | 7 | 1% |
| ND | 9 | 2% |
| OH | 16 | 3% |
| OK | 8 | 2% |
| OR | 5 | 1% |
| PA | 24 | 5% |
| RI | 3 | 1% |
| SC | 5 | 1% |
| SD | 7 | 1% |
| TN | 2 | 0% |
| TX | 21 | 4% |
| UT | 2 | 0% |
| VT | 4 | 1% |
| VA | 17 | 3% |
| WA | 9 | 2% |
| WV | 1 | 0% |
| WI | 33 | 6% |
| WY | 3 | 1% |
| Total | 533 | 100% |



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