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COMMENTARY

Teacher Incentive Fund: Trivial or Transformative?

By Bryan C. Hassel & Dan Katzir

The historic agreement this month between the District of Columbia public schools, the American Federation of Teachers, and the Washington Teachers' Union will provide the school district's teachers with some of the highest levels of professional rewards, salaries, and support in the nation. ("**Foundations to Subsidize Merit Pay in D.C. Teachers' Pact**," April 21, 2010.) And there is reason to hope that the nation's capital won't stand alone: The Obama administration's proposed funding boosts for the federal Teacher Incentive Fund present an opportunity for other states, districts, and schools to follow suit and create effective performance-based-compensation systems for teachers and principals.

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For a long time, teachers and principals have toiled through the hardest parts of their jobs simply because they are motivated to improve young people's lives. Yet most advocates agree that performance pay is a common-sense tool to reward success. Studies across industries and nations have revealed this fundamental truth: The opportunity to earn higher pay attracts talent, motivates professionals, and encourages high-performers to stay in their jobs.

At present, however, the vast majority of districts and states offer educators not a penny in performance-based compensation. The rare exceptions provide such small bonuses and short-lived incentives that they aren't designed to truly make a difference in attracting, retaining, or motivating staff members.

This picture can change in the coming years, as the Teacher Incentive Fund, or TIF, provides states and districts with hundreds of millions of dollars to reward teacher and administrator performance. But the change requires a choice: We can use these new dollars to continue tinkering incrementally with current compensation systems, or we can use them to transform outdated pay systems so that they play a direct role in creating dramatic improvements in teaching and learning. Here's how.

Use TIF to permanently transform compensation models.

In most districts that offer educators performance pay, leaders have glued new salary and bonus incentives onto existing compensation systems, meaning that they've paid for these

incentives through temporary funding sources like TIF, rather than through traditional per-pupil allocations. The problem is that when funding dries up, compensation returns to the status quo.

Meanwhile, nearly all teacher pay in the United States—about 99 percent—continues to be based on years of experience, or “steps,” and advanced degrees, or “lanes.” A growing body of research, however, shows that degrees and experience beyond a few years have little or no effect on how much a teacher’s students learn. Rarely in such a system do the best teachers have an opportunity to earn more than the worst teachers. So committed are we to paying for what does *not* count that we cannot pay for what does.

The only way to pay for what counts is to slice up the compensation pie differently, paying much less (if anything) for degrees and later years of experience and using the savings to pay more for performance and other meaningful contributions.

Effectively making the transition from what are outdated compensation systems to pay structures that truly enable better teaching and learning comes with a steep price tag, however. States and districts doing this work face two significant short-term costs: the expense of designing and testing new performance-based systems, and the price it takes to fulfill historical obligations to teachers who have entered and remained in the system based on the old compensation model.

This is where TIF and other special funding can play a pivotal role. By using such funds to cover these short-term costs, states and districts can free up regular funding streams to finance permanent new performance-based systems. In this way, districts and states that are serious about dramatically raising student achievement can use TIF to invest for generations, rather than just a few years.

Leverage lessons from other sectors.

States and districts can incorporate the knowledge gained by other professions that have long offered and evaluated performance-based pay. A plethora of compensation research already exists to help them create pay structures that succeed not only in supporting students, but also in challenging teachers to grow and rewarding the best among them.

Here are some of the pay-structure-design elements that could be central to enabling dramatic increases in teaching and learning:

- *Make awards big enough to matter.* In 2008, only three of the nation’s large districts offered teacher-performance awards larger than \$5,000, about 10 percent of average teacher pay. Most awards were much smaller, typically less than \$3,000. Research and experience from other professions suggest that awards this small are unlikely to have a sizable impact—that they need to be much larger, at least 15 percent to 20 percent of base pay, to have a real effect on high-quality candidates’ decisions to enter the profession, take on difficult posts, or keep teaching for another year.
- *Pay all who perform, but pay more to the best.* Future performance-pay programs should offer the most effective educators bonuses or other pay increases that are substantially

larger than awards given to educators in the next tier of performance. At the same time, all teachers who meet challenging performance expectations should receive scaled, smaller awards. Research indicates that plans that reward only “stars” can have the unintended effect of driving out above-average performers. On the other hand, teachers who fall short of expectations should receive targeted instructional support—and forgo pay increases—until their performance improves.

- *Put your money where the action is.* Districts often struggle with whether to distribute performance awards at the individual, team, or school level. Research shows that individual rewards are most effective in attracting and keeping higher performers. But team- or organization-wide awards make sense when better student performance results from a group’s working together.

In a traditional one-teacher, one-classroom school, where teamwork means little more than a weekly group discussion, it makes no sense to pay for team results. But where teachers are mutually accountable for and jointly affect a child’s learning, tying teacher pay to the team’s results has merit. When reality lies somewhere in between, ideal awards will be based on a fair combination of individual, team, and school-level results.

Use TIF to better measure teacher and principal performance.

Of course, employee performance must be fairly and appropriately evaluated for a compensation system to lead to gains in teaching and learning. No measurement plan is perfect. But instead of using imperfect measurement as an excuse to avoid performance pay altogether, organizations committed to excellence should transparently expose evaluation flaws and take advantage of this opportunity to improve their measurement systems going forward. Teacher-linked, value-added measures of student progress are enabling many districts to fairly assess teacher contributions to student learning. The teachers who work in areas outside tested grade levels and subjects can also be fairly evaluated through school-administered assessments of student progress. Qualitative evaluations of skills, practices, or competencies have a place as well—especially if they correlate with increased student achievement.

The nation’s president and secretary of education have asked education leaders and teachers’ unions to experiment with bold human-capital reforms. Through the Teacher Incentive Fund, we have a tremendous opportunity to accept this challenge and design performance-based-pay programs that are financially sustainable, meaningful for our most effective teachers, and aligned with the goal of improving student achievement.

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