

The Delicate Task of Developing an Attractive Merit Pay Plan for Teachers

Successful implementation of any merit pay scheme requires attending to some basics of sound school improvement, including developing relationships and encouraging collaboration.

By Gary W. Ritter and Nathan C. Jensen



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We've spent four years assessing claims about the potential for implementing performance-based pay (or merit pay) for educators in elementary and secondary schools. In the theoretical realm, passionate promoters of merit pay have argued that such a scheme would properly align incentives for teachers so the most talented are recruited, the best are rewarded, and the laggards are relocated to a different profession. On the other hand, fervent foes of the practice contend that performance pay would not capture all that teachers do and would instead result in a counter-productive narrowing of the teacher's goals and divisive competition between and among educators who would otherwise seek fruitful collaboration.

Of course, one problem with these philosophical disputes is that they were often made in the absence of evidence. So how do these programs affect teacher performance and, thus, affect student learning? A review of empirical data from the handful of merit pay schemes in the United States and abroad revealed, not surprisingly, that the results of these programs are mixed. Some programs showed significant student achievement gains, others did not. However, perhaps one

reason for the lack of positive results for several attempted programs was that they were aborted early, often due to heated opposition from teacher groups. And yet, programs that were sensibly implemented and

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persisted did show evidence of enhanced student learning. Thus, our cautious conclusion from this literature is that thoughtful merit pay plans, carefully implemented, have the potential to lead to improved student performance.

In 2007, we began to work with various school district leaders and teacher groups to create productive incentive structures that appealed to both administrators and teachers. At the same time, we began meeting with state and federal policy makers to discuss the potential of merit pay for teachers and to learn from these leaders what types of programs would be palatable politically. We've worked on a federal Teacher Incentive Fund grant proposal with one of Arkansas' largest districts, collaborated with another large school district to develop a plan that was supported by 98% of the district's teachers, and worked with charter school founders on a plan that was implemented in the charter district when the three schools opened in July 2008.

Our experience developing the merit pay plan for the eStem charter schools in Little Rock — a system that serves nearly 1,000 students — helped us identify five key lessons that we believe should guide the work of others interested in developing similar programs.

Lesson #1: Generate Teacher, Staff, and Administrator Support

When the eStem charter school founders were beginning to develop the school's strategic plan, consider curricula, and interview potential faculty, school leaders decided to incorporate a performance-based component in the teachers' compensation scheme. Thus, the work of fostering teacher acceptance, or "buy-in," was different for eStem school leaders than it would have been for administrators in a traditional school with a staff already in place.

Nonetheless, eStem administrators wisely recognized that staff support was necessary for the program to be successful, so teachers were involved in

every step of the planning. We adapted this strategy from our work in the Siloam Springs School District, where 98% of teachers favored our proposed performance pay plan. This resounding support likely wouldn't have been present if we hadn't included teachers in developing the plan from day one.

The first, and perhaps most important, step in this process called for eStem administrators to spend several hours at the beginning of the school year describing the possible benefits of merit pay and debunking some of the myths surrounding this heated issue. This is critically important because the first reaction of most teachers and school employees to the words "merit pay" is, at best, skeptical and, at worst, angry. During our first meeting with teachers, we articulated the key criticisms of merit pay plans and acknowledged the many genuine challenges to which any plan should be attentive. Although these potential problems encouraged us to proceed cautiously, we do believe they can be addressed and avoided in a "good" merit pay program. (See Table 1 for a list of the most oft-cited criticisms and our suggested responses.)

In addition to discussing and addressing these criticisms, we worked diligently with school administrators to answer any questions from teachers, both informally and during formal presentations to all teachers in the buildings. Not only did these sessions allow us to explain the details to staff, but they also allowed us to make minor adjustments to the program to make it more fair in the eyes of teachers. This flexibility by school leaders fostered a greater investment by teachers because they had helped "shape" the program.

Gathering this input before establishing a concrete merit pay program is important. However, program designers should develop the overall program frameworks before seeking teacher input. That will mean that discussions with teachers can be productive and focused on relevant program details. This work will enable the development team to clearly describe the goals of the merit pay program

TABLE 1.
Addressing the Criticisms of Merit Pay

| CRITICISM | EXAMPLE QUOTE | RESPONSE |
|---|---|---|
| Merit pay programs benefit only teachers of the highest performing students. | <p>“With merit pay, there would be no incentive for me to teach basic math, but every incentive to teach calculus. I’m a pretty good math teacher, and I know I could help the kids in basic math, but I also know that there is a greater chance that my calculus students will score higher on a standardized test.”</p> <p>— <i>Dennis Van Roekel</i> President, National Education Association www.pbs.org/now/shows/518/merit-pay-debate.html</p> | This point would be true if teachers were rewarded only for student attainment at a single point in time. We argue that a teacher’s merit should be based on student growth, not attainment. In this way, we can measure the value that the teacher adds to student learning and establish individual learning goals for each student. |
| Merit pay programs are based on a secret formula that makes it impossible to understand how a teacher can receive a bonus. | <p>“It’s so unclear how a person got a higher or lower raise that it takes an enormous leap of faith, or stupidity, for an employee to decide that pay and performance are related.”</p> <p>— <i>Ed Lawler, professor</i> University of Southern California www.probypr.com/images/newsclips/pa_hr_mgmt-1.pdf</p> | Then straightforward measures of growth should be used, and the merit pay program should be clearly outlined before the program starts. Teachers should be able to ask questions and should be provided with “report cards” that not only clearly outline end-of-year goals, but also detail how each bonus will be calculated. |
| Merit pay programs will encourage teaching to the test. | <p>“It [merit pay] will encourage not only teaching to the test, but gaming the system [by such mechanisms as excluding low-performing students] and outright cheating.”</p> <p>— <i>Diane Ravitch, professor</i> New York University www.hoover.org/publications/digest/63615522.html#</p> | If the test is sound and measures what it purports to measure, then “teaching to the test” should equal teaching to the curriculum. Thus, good tests are needed, those that measure concepts that are addressed in a state’s curricular standards. |
| Merit pay programs will reward only teachers of core subjects. Art, music, physical education, etc., teachers will not receive a bonus, since those subjects aren’t tested. | <p>“The untested subjects (music, art, etc.) will never be rewarded despite the many evening performances, shows, award ceremonies, and after-school rehearsals done each year.”</p> <p>— <i>Nancy Fiske, music specialist</i> West Newbury, Mass. www.hotchalk.com/mydesk/index.php/teachers-matter-hotchalk-blog-by-edward-fields/618-vblog-is-merit-pay-the-right-way-to-go</p> | All teachers and employees should be eligible for bonuses, including art and music teachers. In fact, we’d argue that custodians, office assistants, bus drivers, etc., be rewarded as well, as they all in some way contribute to student learning. This might be done by providing incentives for schoolwide growth or by rewarding teachers and employees for traits not captured on standardized tests. |
| Merit pay programs force teachers to compete and discourage collegiality. | <p>“We remember past experiments with merit pay compensation schemes that pitted teacher against teacher. We know that every one of those merit pay schemes was a counter-productive disaster.”</p> <p>— <i>Bob Chase</i> Former president, National Education Association www.rethinkingschools.org/archive/14_03/mert143.shtml</p> | To avoid competition, avoid programs with a fixed pot of money, which forces teachers to compete for the same bonus dollars. Furthermore, encourage collaboration by rewarding employees for grade and school-level student gains, so that teachers actually benefit by helping each other. |
| Providing teachers with bonuses won’t make a difference because teachers don’t teach for money. | <p>“Do our business and political leaders think people go into teaching for money? Perhaps they haven’t looked at teacher salaries lately. Don’t they know that people go into teaching for the love of the craft and the kids — in other words, because they feel a ‘calling’?”</p> <p>— <i>Susan Harman, coordinator</i> CalCARE www.dissentmagazine.org/online.php?id=268</p> | Teachers get into education for a number of reasons, with money likely not the driving factor. But, at the end of the day, we believe teachers like having their hard work recognized and would probably prefer more money to less if given the choice. By rewarding good work, we’re telling teachers that we value their contributions and encourage them to stay where they’re needed most: the classroom. |

and even modify program details to gain support by teachers and staff.

Lesson #2: Develop Rewards that Motivate Teachers in Productive Ways

Successful teacher merit pay plans will revolve around performance bonuses that have four characteristics. As is the case in the eStem merit pay program, bonuses should be attainable, transparent, substantial, and sustainable.

The first point seems obvious: If a merit pay bonus is going to motivate teachers, then teachers must perceive the bonus to be attainable. However, some local districts don't always heed this advice. For example, one local administrator suggested teachers receive a bonus if 100% of the student body scored proficient or advanced on the end-of-year assessment. While this is a worthy goal, the likelihood of all students reaching this benchmark in a given year is slim. As a result, this type of program wouldn't be likely to motivate teachers in any positive way. If merit pay programs are going to be successful, a teacher's reward should be based on realistic goals.

One key point to consider when creating a bonus system that's both attainable and realistic is to ensure that bonuses are based on student growth, not student attainment at one time period (such as the end of the school year). A merit pay system based on student attainment would unfairly reward teachers working with the highest-performing students and might encourage teachers to avoid working with low-performing students. This is obviously counter to the goals of a good merit pay program and unfair not only to teachers, but also to students.

Second, for teachers to believe that they can earn performance bonuses, they must understand what's

expected in order to attain the bonus. Thus, the manner in which teachers are rewarded should be transparent, understandable, and thoroughly explained to teachers before program implementation.

Third, the program's rewards must be sufficiently motivating if a merit pay plan is going to encourage teachers to move out of their comfort zone and try innovative strategies or put forth even more effort. Past merit pay programs (mostly failures) have been criticized for asking much of the teachers and offering, in return, the potential to earn \$750 after a year's worth of extra effort. No wonder such programs have failed! If we want teachers to take merit pay seriously, we should be discussing plans that offer substantial awards — in the neighborhood of 10% to 20% of base salary — to outstanding educators.

Finally, the merit pay program needs to be sustainable. If merit pay bonuses are available for only one year and may well disappear in subsequent years, teachers aren't likely to be motivated to alter their approach to teaching in any serious way.

The eStem plan incorporated each of these key components. In this plan, each student has a year-end learning goal based on his or her achievement at the start of the school year. Accordingly, a teacher's bonus is based on the extent to which the students in his or her classroom meet or exceed that expected level of progress. This strategy presents a goal that appears motivating: The more each student in the class improves throughout the year (as demonstrated by growth scores on standardized assessments), the larger the teacher's bonus will be.

In fact, teachers of core subjects at eStem schools are eligible for bonuses up to \$10,000. It is easy to see how a bonus of this size would encourage and motivate teachers to focus extra time and effort on their

TABLE 2.

Summary of eStem Merit Pay Plan for Teachers of Core Subjects

Teachers are rated on a 100-point scale. At the end of the year, a merit pay bonus is based on the percent of total points earned multiplied by the maximum bonus amount. Teachers of core subjects are eligible for bonuses of up to \$10,000; teachers of noncore subjects are eligible for \$6,000 bonuses; and all other school support staff are eligible for \$1,000 bonuses. For example, a core-subject teacher who earned 70 of 100 total performance points would earn a merit pay bonus of \$7,000. ($70/100 \times \$10,000$). The first set of merit pay bonuses were awarded to eStem teachers in July 2009. Points are awarded to teachers based on the following broad criteria:

- Individual Classroom Student Achievement Growth (NWEA) – 50 pts.
- School-Wide Student Achievement Growth (NWEA & Arkansas Assessments) – 35 pts.
- Principal Evaluation – 15 pts.

For more information about the eStem merit pay plan, including specific information about how bonuses are calculated, please contact Gary Ritter (garry@uark.edu) or Nathan Jensen (njensen@uark.edu) at the University of Arkansas.

teaching, as opposed to the small bonuses (such as \$750 or so) in earlier, ineffective merit pay plans. As 7th-grade teacher Heather Dorsey recently stated, “The bonus is nice, because it encourages us to work even harder than we already work. And, at the same time, the data helps me know my students better.”

Lesson #3: Make the Merit Pay Program Part of a Comprehensive School Improvement Strategy

Before implementing the eStem merit pay program, administrators made changes intended to foster a culture of data and continuous performance monitoring among the eStem faculty. School leaders introduced the Northwest Evaluation Association (NWEA) assessments, which enabled teachers to assess student performance at four different points during the year. Using these results, teachers could identify individual students who needed assistance in particular areas or identify general areas in which most students struggled. Because NWEA assessments were administered early and often and scored electronically, teachers could learn about potential problem areas quickly and adjust their instruction throughout the academic year.

Each teacher’s bonus should be based on his or her performance compared to his or her individual performance goals.

To make NWEA data more user-friendly, eStem administrators worked with our research team to develop quarterly “teacher report cards.” These report cards summarized each student’s performance compared to their end-of-year learning goals. The report cards also included goals the teacher had to meet to attain his or her full merit pay bonus. These data proved to be extremely useful to eStem teachers, as many teachers found that organizing the data in this way gave them a better understanding of how each student was performing. Mandy Ellis, 3rd-grade eStem teacher, affirmed this, saying, “I think that looking at the results from the NWEA tests helped us see where our kids really need to be and helped keep us accountable for what our students are learning.”

In addition, because every teacher knew how his or her students were performing at multiple points throughout the year, there were no surprises when merit pay bonuses were distributed.

In sum, by implementing a formative assessment like the NWEA, administrators at eStem gave teachers additional tools to help raise student performance. Multiple NWEA assessments, along with elec-

tronic results made immediately available to teachers, allow teachers to adjust their teaching to better accommodate student needs. Traditional year-end summative assessments simply don’t give teachers such guidance. Furthermore, if teachers readily have access to performance data for all students, they’re better able to understand how their merit pay bonus will be calculated. In other words, giving teachers these data leads to enhanced transparency of the merit pay program and is a worthwhile reform strategy in its own right.

Lesson #4: Create a Merit Pay Program that Encourages Collaboration

Above all else — do no harm! That is, first and foremost, a merit pay plan should not foster divisiveness or unhealthy competition among a school’s faculty.

To ward off the possibility of unhealthy competition, avoid fixed-pot bonus plans based on relative rankings of teachers. For example, avoid plans that allow the top 15 teachers to earn bonuses while others do not. In such a system, teachers aren’t likely to help their peers earn higher ratings because a bonus awarded to one teacher necessarily means that it can’t be awarded to another. If collaboration among teachers is desired, then teachers shouldn’t be fighting for limited spots in the bonus pool. Instead, each teacher’s bonus should be based on his or her performance compared to his or her individual performance goals.

Beyond that, a well-constructed plan can actually enhance teacher collaboration by incorporating group-based rewards in the merit pay plan. For instance, a portion of a merit pay bonus could be based on grade-level achievement gains or on how much the school as a whole improves in a certain subject. In addition, and perhaps ideally, teachers could be grouped into professional learning communities, small teams of three to four teachers, all of whom work with the same group of students. In this way, the good work of one teacher improves the rating of another; thus, teachers are all working toward the same goal to maximize student achievement while maximizing their bonuses at the same time.

The eStem merit pay plan has several characteristics that tend to encourage collaboration and avoid unhelpful competition. First, eStem school leaders have generated and budgeted enough funding to allow for the possibility that each participating employee earns the maximum eligible bonus — \$10,000 for core teachers, \$6,000 for support teachers, and \$1,000 for nonacademic school staff. In this way, teachers’ ability to earn bonuses won’t be negatively

affected when their peers earn performance awards.

To encourage additional collaboration among all types of teachers, the eStem merit pay plan applies to all school employees, not just teachers of core subjects. Core teachers are eligible for a larger maximum bonus at the end of the school year (due to their greater level of accountability), but everyone in the school — from the principal to the custodian — contributes to student learning in one way or another, and they should be treated as such. Moreover, the eStem plan provides strong incentives for individual teachers to collaborate by incorporating schoolwide student performance growth into each teacher's merit rating. In the end, these schoolwide incentives actually encourage teachers to help each other become more effective teachers. Thus, eStem teachers are actually rewarded for collaboration — the more the school improves as a whole, the greater the merit pay bonus for each individual.

Ninth-grade teacher Stacie Thompson shared her experience at eStem, saying, “We find ourselves being more interested in all subjects. The merit pay program encourages us to team together across disciplines and bring all subjects into our classrooms.”

Lesson #5: Employ Multiple Measures of Teacher Effectiveness

Even the staunchest advocates of testing acknowledge that schools have goals that go beyond student achievement in core subjects. Incorporating nontest score measures into a merit pay plan, along with measures of test score growth, may improve the system if done well. But it could also make the system worse, depending on which nontest measures are incorporated and how. Consequently, incorporating multiple measures should be done with careful planning and full information about the advantages and disadvantages of each measure being considered.

There are a number of reasons for incorporating nontest score measures into a teacher evaluation system. First, teachers may affect students in important ways that standardized tests of academic skills wouldn't capture. For example, a teacher may volunteer for an after-school program or spend extra time working with parents of students, both of which may not necessarily affect student test scores. Second, because current measures of student performance growth aren't perfectly precise, including nontest score measures of teacher performance may improve the precision of the resulting measures. Third, many grades and subjects aren't tested (such as music or art). Thus, it may be necessary to use nontest score measures in the nontested grades and subjects to capture the “merit” of these teachers as well.

School leaders at eStem acknowledged the impor-

tance of nontest measures by basing a meaningful portion of a teacher's performance rating on a supervisor evaluation. By doing this, principals at eStem can reward teachers who engage in such productive pursuits as helping fellow teachers, seeking additional teacher training, or going the extra mile with students who need additional guidance. This evaluation isn't intended to be punitive; rather, the point is to reward teachers who put in extra effort that might not be captured on test scores and to encourage teachers to take extra steps both inside and outside the classroom to improve their teaching.

Will Felton, a science and math specialist in the elementary school, summed up his support for the merit pay plan by saying, “You don't hear a lot that you do a good job, but this bonus is a ‘good job’ for all the work you did for the benefit of the kids.”

In the end, when done correctly, merit pay programs can do more than just reward teachers for excellent work. They can also result in a more collaborative, student-focused, learning environment. While the potential pitfalls of these programs are very real, there are certainly easy ways to overcome these issues. And in the end, if rewarding excellence (and retaining excellent teachers) in the classroom is tied to increased student learning, shouldn't that at least “merit” further evaluations of these programs? **K**



“Will this job be mainly true-and-false, multiple-choice, or essay questions?”

File Name and Bibliographic Information

k1005rit.pdf

Gary W. Ritter and Nathan C. Jensen, The Delicate Task of Developing an Attractive Merit Pay Plan for Teachers, Phi Delta Kappan, Vol. 91, No. 8, May 2010, pp. 32-37.

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