

Fostering Local Innovation in Differentiated Compensation of Teachers and School Leaders

Time to move the “Alt Comp Dialogue” toward action

Summary

For the last year, Full Circle Fund has facilitated discussions between leaders of school districts and leaders of local teacher unions in Northern California. This project, known as the Alt Comp Dialogue,¹ explores alternative approaches to compensating educators using examples from around the country, including Denver, Minneapolis, the Teacher Advancement Program (TAP), Toledo and others.

Based on this work, we are confident that districts and local bargaining units, working together, can develop innovative ways to align educators’ pay with shared goals for student learning and teacher excellence. California lags in this trend toward collaborative innovation. It is time to catch up.

Specifically, California should provide incremental, ongoing, incentive grant funding of about \$600 per student per year to districts to support differentiated compensation of educators and school leaders. To be eligible for this funding, districts and teacher unions should collaboratively develop local plans that meet several requirements including: a strategy to integrate compensation with professional development; readiness of local data and personnel systems; and clear evidence of employee support.

Problem Statement

Excellence in teaching is of paramount importance. There is no greater influence over a student’s learning than his or her teachers. Policies that foster teaching excellence, therefore, are squarely aligned with the goal of advancing student learning.

Today’s pay systems do not support excellence. Today, teachers in California are almost universally paid according to salary schedules that generally reward just two things: staying on the job and taking college courses. Unfortunately, as recently pointed out by Susanna Loeb in the *Getting Down To Facts* research, “there is little evidence that very experienced teachers are more effective than moderately experienced teachers,” and “teachers with master’s degrees do not appear to be more effective at promoting student learning.” [GDTF Loeb/Miller, p.3]

Participants in Alt Comp Dialogue discussions cite additional shortcomings of the single salary schedule:

- *It is disrespectful of great teachers.* Wonderful, dedicated teachers who achieve extraordinary results with children earn just as much, or as little, as those whose students fall behind.
- *It provides no help to high-need schools.* Teachers who achieve great results in a difficult setting earn no more than those who achieve mediocre results in a comfortable school.

¹ Full Circle Fund is an engaged philanthropy organization based in the Bay Area that cultivates community leadership through projects to drive lasting social change. The Alt Comp Dialogue project is supported by a grant from the William and Flora Hewlett Foundation. The project receives advice and counsel from Dr. Julia Koppich, as well as from an advisory board that includes members from ACSA, AFT, CSBA, CTA, the Center for the Future of Teaching and Learning, the National Institute for Excellence in Teaching, New Leaders for New Schools, the New Teacher Center, and the Teachers Union Reform Network.

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- *It is indifferent to scarce talent.* Some schools struggle to find strong math and science teachers because teacher pay is not competitive for individuals with strong skills in these areas.
- *It doesn't help foster collaboration.* Teachers and principals who bring out the best in others earn the same as those who contribute to negative working conditions.
- *It is out of step with taxpayer expectations.* Seniority-based pay is no longer typical of professional pay systems for highly educated workers. Voters in Denver proved that the public will support taxes for higher salaries within a differentiated compensation structure.

California can do better, especially if districts and teachers define solutions together, locally.

Policy Issues and Options

Salaries are by far the biggest component of our investment in public education. Changing the way that educators are paid can provide a powerful support lever to teachers and school leaders in their efforts to improve student learning and teacher working conditions. Of course, changes must be strategically sound, well-executed and accompanied by other work to support effective teaching and learning.

What should be the components of “Alt Comp”?

Though the details vary, most discussions of alternative approaches to compensation for educators focus on a few key themes, summarized below in three parts: 1) Performance-based compensation; 2) Skill-based compensation; and 3) Job-based compensation.

These themes, which are not mutually exclusive, have emerged not only through the Alt Comp Dialogue, but also in implementations throughout the nation and in the findings of expert panels such as the TeacherSolutions group of the Center for Teaching Quality and the Working Group on Teacher Quality.²

We believe that districts and teachers should develop strategies to utilize all three approaches. Specific recommendations for state policy are presented toward the end of this document. We now turn to the context for these recommendations and definition of terms.

1) Performance-Based Compensation. It is relatively easy to agree that there should be a connection between pay and results. But which results should matter? How should outcomes be measured? In what way should incentives be constructed? Should incentives apply to individuals or to groups?

Clearly, student learning is the core concern of educators. A serious discussion about student learning must include straight talk about assessment, including standardized testing.

This topic evokes incredible passion, especially from teachers. One participant compared the early part of this discussion in a local dialogue to lighting a torch: “more heat than light.” In recent years, standardized testing has consumed increasing amounts of class time. It has reduced teachers’ discretion regarding how best to teach students. Focus on improving test results has contributed to a narrowing of the curriculum, reducing the time committed to art, music, and other important subjects. On top of this,

² The report of the Working Group on Teacher Quality was a partnership of ten organizations: the National Institute for Excellence in Teaching; The Association of American Educators; the National Council on Teacher Quality; Augenblick, Palaich and Associates; the Center for American Progress; the New Teacher Center; the Community Training and Assistance Center; the New Teacher Project; Full Circle Fund; Resources for Indispensable Schools and Educators; and the National Commission on Teaching and America’s Future. The project was funded by the Joyce Foundation. See www.talentedteachers.org/center.taf.

The Center for Teacher Quality report can be found at <http://www.teachingquality.org/pdfs/TSreport.pdf>.

teachers have seen scores interpreted in very simplistic ways, casting schools as failing even when their students make strong learning gains. It is sensible for teachers to wonder under what circumstances a test-score-based component of a new pay system would label *them* as failing.

When district leaders and teachers persist in collaborative discussion, however, they can move beyond these concerns. It helps to focus on question of what “performance” ought to mean for real people in real classrooms. As the conversation becomes more specific about job goals, it tends to become more interesting, and far more constructive. Student test results make sense as a part of an evaluation strategy for teachers when there is a clear plan to interpret the results in a contextually appropriate manner.

Leading innovators in alternative compensation are finding that a core part of getting the context right is this: test scores can inform an evaluation of a teacher’s work, but the analysis must be based directly on relevant progress made by the students in that teacher’s scope of influence. Teachers help students “beat the odds” all the time, but a year’s worth of learning growth is more difficult to achieve in some contexts than in others. A pay plan that pretends otherwise will fail. This approach to individually-based analysis of learning growth in context is often referred to as “value added” assessment.

It is also critical to remember that schools are about far more than tests, and that teachers can influence the trajectory of a student’s life far beyond a year of assessed results. To take stock of this value, leading innovators in alternative compensation incorporate qualitative elements in their evaluation of individual performance, informed by peer feedback and expert observation. This approach is discussed below, under “Skill-Based Compensation.”

Because success often occurs in clusters, it makes sense for pay incentives to promote teamwork and teacher collaboration. Many of the pioneers of alternative compensation have made use of group-based performance incentives to drive shared focus on particular goals, for example. Such incentives must be crafted with great care to avoid unintended consequences. In practice, the work associated with achieving a goal is rarely evenly shared.

2) Skill-Based Compensation. Innovators emphasize that a new pay plan creates an opportunity to rethink professional development as a core element of the plan, not an afterthought.

Because there is little or no broad evidence that postgraduate study has an influence on student learning, some innovators have narrowed “column” incentives in existing salary schedules to focus on continuing education related directly to the teacher’s area of specialty or the district’s area of need.

Many districts that implement alternative compensation plans invest in programs for “master” and “mentor” teachers. These experts work on either a full-time or part-time basis to observe, evaluate and support other teachers. These mentors are selected on the basis of their excellent instructional skills, and may receive additional compensation. (See Job-Based Compensation, below.)

There are many innovative options for assessing teachers’ skills and performance qualitatively. Rubrics (such as BEST, TEC, or the Danielson framework) enable teachers to benefit from consistent feedback from multiple observers. Minneapolis has pioneered teacher-driven “action research” to document effective practices. Denver has emphasized teacher-based definition of individual review goals. Some prominent thinkers in the area of alternative compensation, such as Allan Odden, have proposed that seniority-based raises beyond the first few years of instruction should be conditional on satisfactory advancement of demonstrated skills in specific areas.³

³ Allan Odden and Marc Wallace, “Rewarding Teacher Excellence” Feb. 2007: [http://www.wcer.wisc.edu/cpre/publications/TComp%20Handbook%20Feb%2028%2007%20Final%20\(3.05.07\).pdf](http://www.wcer.wisc.edu/cpre/publications/TComp%20Handbook%20Feb%2028%2007%20Final%20(3.05.07).pdf)

All of these are promising practices. There is no hard evidence to choose among them, and it is likely that local innovations, if developed collaboratively, will uncover important new ideas.

3) Job-based Compensation. When businesses struggle to fill a position with a qualified person, they raise the salary offered. California's schools, by contrast, rarely vary compensation by position.

Discussions of alternative compensation frequently highlight the following jobs as potentially appropriate for higher pay: advanced math and science, mentor teachers, teaching positions in high-needs schools, special education, and English language instruction.

Schools' needs vary enormously based on local context. For example, not every district struggles to find good math teachers – some suburban districts happily recruit teachers away from neighboring urban districts. Growing districts can fill skill gaps in their workforce by adding new teachers; shrinking ones must focus on training existing faculty.

Compensation experts emphasize that job-based compensation should be configured in a way that attaches incentives to target positions, rather than to the individuals that fill them. Furthermore, there should be a clearly defined performance aspect to incentives associated with these jobs – the objective, after all, is not merely to fill the positions, but to raise the effectiveness of the outcome.

Recommendations

Below, we make three recommendations: 1) The state should provide money to districts for alternative compensation programs; 2) The State Board of Education should set requirements for districts to qualify for this support; and 3) Planning grants should be authorized swiftly to set the wheels in motion.

1) Allocate state funds to support alternative compensation. Based on implementations in other states, we recommend funding alternative compensation at about \$600 per student. In order for a new pay system to work, bonuses or other pay incentives must be large enough to be “worth it.” The lion's share of this money should go directly toward differentiated compensation, but some of it should be used for supporting investments such as targeted professional development and collaboration, mentorship programs, and implementation support. We recommend the following:

- a) *Require local educator buy-in.* The available examples make it clear that collaborative development of the pay plan is a critical success factor. This collaboration also maximizes the opportunity to improve teaching and learning conditions beyond pay. Proposals should be developed locally through a process that strongly involves teachers, including use of the collective bargaining process where available.
- b) *State structure with local flexibility.* Locally-developed proposals should be reviewed by the State Board of Education (SBE), which should be empowered to rule individually on whether each plan will be funded. This review is important for two reasons: It will encourage realistic thinking about implementation challenges; and it will help to ensure that new compensation plans are importantly different from the status quo. Change is hard, and districts will face the temptation to simply put incremental dollars into a “more of the same” plan. SBE review will serve as a check to ensure that plans are truly different. (See recommendation #2 for details.)
- c) *Protect STRS from salary spikes.* In order to head off a possible “tragedy of the commons” dilemma that could destabilize the STRS system, we recommend that applicability of these incentives toward pensions be delayed for a specified period (for example 10 years) until the risks can be better assessed in the context of other market and demographic developments.

2) Set clear state guidance for local planning. Beginning immediately, the SBE should draft guidelines for locally developed alternative compensation plans. These guidelines will provide important

direction to local planning. These guidelines must strike a fine balance, challenging districts to innovate without stifling them in detailed requirements. We recommend the following:

- a) *Clearly differentiated use of incremental state funding.* The locally-developed plan shall clearly delineate the basis for differentiation of pay and forecast how the money will be used.
- b) *Require local match.* The plan should include at least \$200 per student in reallocated local funds. This will help ensure that the plan more than simply an add-on to existing practices.
- c) *Evidence of teacher support.* Utilize the collective bargaining process where available.
- d) *Performance incentives.* The locally developed plan shall include a substantial performance-based component based on multiple measures of performance. Incentives for individuals must be relevant to the work they actually do, appropriate to their scope of influence, and based on clearly expressed criteria. Assessment of student learning growth shall be included among the measures. Group incentives, if any, should match the scope of influence of the identified group.
- e) *No quotas.* The alternative pay system shall have no quotas or pre-determined limits to the number of employees who may qualify for extra compensation. The plan shall include, at minimum, both teachers and principals.
- f) *Financial plan.* The local financial plan shall include a mechanism to manage and safeguard unused/unearned performance-related funds in a program reserve. This helps to avoid use-it-or-lose-it pressures that interfere with a quota-free design.
- g) *Professional development and mentorship plan.* Professional development shall be integrated with the pay plan. In order to integrate professional development with classroom practice, the collective bargaining agreement shall include at least a specified minimum amount of time for teacher collaboration.
- h) *Pay for position.* The state can play a strong role in setting the stage for teacher pay to become more responsive to market needs, but should refrain from taking a very prescriptive approach due to the large differences in local needs. Plans shall include a mechanism for differentiating pay for locally specified positions, contingent on employee performance in these positions.
- i) *Implementation plan.* The local plan shall include a specific implementation plan regarding roles, responsibilities, tools, milestones, planned training and the like. This plan shall clearly spell out planned changes in human resources and payroll functions in order to address the increased sophistication of a differential pay system.
- j) *Governance, evaluation and modification.* The plan shall specify program evaluation mechanisms, dispute resolution processes and so forth.

3) Allocate funds swiftly for planning grants to get the ball rolling. Planning is relatively cheap, and will significantly increase the odds that implementation will be smooth. In the 2008 budget the state should fund small competitive grants for districts and local teachers unions to encourage collaborative development of local plans. When SB1209 (Scott) was enacted in 2006, the state created the mechanism to support this planning process. We recommend the state allocate \$2 million to this purpose in 2008. A portion of these funds should be used to create a state capacity for program evaluation. The point is to get a small number of districts moving strongly toward thoughtful implementation, and act proactively to increase knowledge of best practices.

Conclusion

Pay is by far the largest part of the investment California makes in education. Today, this investment is formula-driven, and weakly connected with the goals of teachers, families, and the public interest.

Implementation makes or breaks this reform. Experiences in other states suggest that the best chance for effective implementation will be to engage local leadership in the planning process from the outset, leaving real room for local innovation and differences.

This investment will provide change-minded districts and teacher leaders with an extraordinary opportunity to reinvent the purposefulness of public education in a very pervasive way. Some districts will use this opportunity to achieve breakthroughs in student learning through steady advancement in teaching excellence. Their achievements will show the way forward.