Get Performance Pay Right
Six Cornerstones of Successful Compensation Reform
By William J. Slotnik

The nation's educational landscape is changing dramatically. Needs no longer drive resources. The focus instead is on getting the results the public wants. Linking what students learn to what educators earn is becoming pivotal to school finance. More than 80 percent of a district's operating budget goes to compensation, and the public wants to see a greater connection between these expenditures and the organization's mission.

President Barack Obama has expressed some sympathy with this view. And now, as he puts his educational strategies to work, he has an opportunity to move the country beyond misconceptions about performance-based pay that have derailed earlier efforts to achieve it.

The key question this time around will be whether we are ready to implement such systems in ways that are helpful to students and teachers, or whether we will continue to repeat the narrow-focus mistakes of the past. The Obama administration can use this moment to encourage experiments and develop policies that are formulated on proven best practices.

The lesson of successful performance-based compensation is, at root, a lesson of institutional change. Emphasizing student learning and the teacher's contribution to it can be the lever for change—if the initiative also addresses the district factors that help shape the schools. With this in mind, here are six conceptual cornerstones of successful compensation reform:

Performance-based compensation is a systemic reform. It is miscast as a financial or programmatic reform. It must be tied directly to the educational mission of a district and must focus on how a school system thinks and behaves—specifically in the areas of student learning, teacher support and rewards, and institutional culture. This is not a piecemeal reform that tinkers around the edges; it cuts to the core of what a district is trying to accomplish instructionally. Simply put, you cannot change how several thousand people are going to get paid without making major changes in the rest of the organization.
Linking teacher compensation to student performance stimulates discussion about the district’s goals for student achievement and what factors need to be addressed to reach those goals. This in turn leads to change. Performance-based compensation is more than an ingredient of reform—it is a driver of reform. This is not because money alone motivates teachers, but because it catches and holds a district’s attention.

Compensation reform must be done with teachers, not to them. Performance-based pay plans that work cannot be imposed from above by management or policy fiat. Neither can they be achieved by copying models from elsewhere. It involves the intentional building of trust and collaboration, so that program designs can be customized, problems of implementation discussed, and midcourse corrections made as needed.

True partnership takes several forms, and gives creative practitioners opportunities to have a broader districtwide impact than is generally allowed by their job titles or location in the organization. Through such vehicles as an oversight body, working groups that address barriers to effective support of classrooms, and extensive surveying and interviewing, the voices of teachers, principals, and parents can regularly be heard, providing the basis for actions to shape and strengthen the initiative.

In this context, collective bargaining should be embraced, rather than seen as an obstacle. The teacher contract in effect becomes the policy document for the reform. And let’s be clear: Contracts often last longer than the tenures of both appointed and elected district leaders.

Compensation reform must be organizationally sustainable. From the classroom to the boardroom, the entire district must shift to support the initiative. This change will involve both upgrading and aligning all key units of the district in support of classroom instruction. If the intent is to reward teachers’ impact on student learning, the initiative must address the full range of factors that contribute to effective teaching.

Such an approach differs markedly from the tendency of many districts to underestimate what is involved in compensation reform and then make financial awards based on the short-term scores of a single test. The emphasis needs to be on how to promote student learning in all classrooms, not just on how to measure it.

Stressing the organizational capacities needed to achieve better results for students is what distinguishes performance-based pay from the more superficial test-based compensation. All parties need to operate from the premise that teacher quality depends on management quality.

Performance-based compensation must be financially sustainable. It is essential to anticipate at the front end of the initiative the financing needed for long-term sustainability. Teachers and taxpayers have seen promises come and go regarding compensation schemes and are wary of any reform’s ability to outlast a budget crunch or a superintendent’s tenure.

This financial planning should address the costs of making the transition to the new compensation system, of sustaining the system, and of doing business differently (recasting district priorities and reallocating district resources). Based on the proposed new compensation system, district and union leaders will need to anticipate, through human-resource models, what the changed teaching force will look like over a period of years, use financial models to project costs, and identify and secure long-term financing sources. The repeated failure to take these steps, often amid claims of “don’t worry, we’ll find the money down the road,” has damaging effects on both teachers and the prospects for real reform.
Performance-based pay systems must have a broad base of support within the district and the community. Effective implementation will require buy-in from the entire school system, and community involvement will be vital for generating additional resources.

In building such support, the plan’s design is all-important. If every teacher is eligible for participation and performance-based awards, then collaboration and support will increase. If not, then the district will return to the repeated failures of merit pay. If teachers, administrators, and parents feel ownership of the initiative, they’ll be champions of its successful implementation.

Because the forces of misinformation are always more powerful than those of accurate communication, planners must be vigilant in crafting and maintaining their constituency-building strategies. In addition to teachers and internal constituencies, these should target such external audiences as the state legislature, the governor, the state board of education, business leaders, and the media.

Most importantly, performance-based compensation must go beyond politics and finances to benefit students. In both its planning and its development, the initiative must be centered on demonstrably affecting student learning. Naysayers who suggest that there is an incompatibility in “benefiting students” and also “benefiting teachers” have consistently been shown to be misguided, their positions rooted more ideological sound bites than in sound practice. When done right, performance-based compensation benefits students and teachers.

And this, in the case of students, has implications for assessment and evidence-driven improvement. All districts have various assessments used for differing purposes; it is quite different to have multiple measures. In this reform, districts will need to link several measures of student achievement together, to more meaningfully identify student progress and, as a consequence, classroom and school performance.

The president can lead the nation in understanding that performance-based compensation involves a fundamental shift that will move reform away from the trend of adopting programs, and concentrate instead on changing the conditions that make a difference for students and teachers. The stakes for these students and teachers, as well as for their communities, are too high for anything other than getting it right.

William J. Slotnik is the founder and executive director of the Community Training and Assistance Center, in Boston, and the founder and national convener of its Institute for Compensation Reform and Student Learning.

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