

ASK THE TEAM

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Performance-Based Compensation: Linking Performance to Teacher Salaries

Question From the Field

How are states and districts designing and implementing performance-based compensation systems?

To achieve the goal of attracting and retaining talented professionals in education, performance-based compensation systems (PBCS) must offer salaries that are both fair and sufficiently competitive at each point across an educator's career continuum. Although many states, especially with the support of the Teacher Incentive Fund (TIF) grants, have worked with districts on developing PBCS, salary scales largely remain a decision left to local school districts.

To get a picture of the approaches taken by states and districts that have developed new PBCS, we reviewed resources from the Center for Educator Compensation Reform, the National Council on Teacher Quality (NCTQ), the Education Commission of the States, the National Center for Education Statistics (NCES), and Race to the Top proposals. We also consulted several teacher-compensation policy experts. In the sections that follow, we offer:

- Overview of current policy trends in PBCS
- Examples of district-led efforts in the United States
- Example of a national effort in the United Kingdom
- Suggestions for states considering a performance-based scale

We offer these examples to inform state and district discussions on new directions in teacher compensation. The Center on Great Teachers and Leaders (GTL Center) does not endorse any of the models described in the brief but rather offers them as information only.

Tip

What is a performance-based compensation system?

In this brief, we define performance-based compensation as an approach to paying teachers either salaries or one-time bonuses that incorporate their performance on a comprehensive evaluation, which typically includes a student growth component.

Did you know?

The GTL Center offers additional resources regarding teacher compensation. Check out our [Innovation Station](#), which highlights additional publications, websites, presentations, and examples of approaches to PBCS.

1. WHAT IS HAPPENING AT THE STATE LEVEL?

Current Policy Trends Illustrate a Wide Range of Possibilities.

Although the research base supporting PBCS remains limited, many states are considering plans to tie teacher evaluations to teacher salaries. In their Race to the Top applications, several states developed plans to implement PBCS policies for teachers based on summative evaluation ratings that include student learning outcomes. However, the applications show that it was important to states to have their teacher evaluation systems in place before linking the systems to teacher compensation. Many states do not plan implementation of their PBCS until at least the 2014–15 school year.

States in Brief

National policy scans conducted by NCES and NCTQ find the following trends in PBCS and related teacher compensation policies:

- Georgia, Idaho, Nebraska, and South Carolina require that bonuses based on performance be available to all teachers throughout the state.
- In comparison, Florida, Idaho, and Indiana require that summative performance information be used as a factor in determining teacher salaries rather than annual bonuses.
- California, Delaware, Georgia, North Carolina, Texas, and Washington require that school districts provide additional compensation for new teachers who have related experience working in other sectors.
- Sixteen states require districts to pay higher salaries to teachers with advanced degrees.
- Seventeen states provide additional compensation for teachers in hard-to-staff subjects.
- Seventeen states provide additional compensation for teachers who achieve National Board Certification.
- Twenty states provide additional compensation for teachers who work in hard-to-staff schools.
- Twenty-seven states leave all teacher salary decisions to school districts.

Food for Thought

In Georgia, the perceived need to first ensure the validity of the evaluation system was evident in the state's recent decision to risk foregoing \$9.9 million in federal support in order to postpone the state's promise to tie compensation to the evaluation results (Downey, 2013).

THE TEACHER SALARY PROJECT

Staff salaries comprise 60–80 percent of a school's budget (Barber & Mourshed, 2007). Providing significant salary increases to promote excellent teaching therefore requires the support of strong leadership and public will. Through its documentary film *American Teacher*, The Teacher Salary Project is working to raise public awareness about the issue of teacher pay and to inspire state governors to prioritize the issue. For more information about The Teacher Salary Project and ideas to encourage leaders in your state to improve teacher pay, please visit www.TheTeacherSalaryProject.org.

Source: the NCES data table on *States Providing Incentives for Teachers and Administrators to Work in Targeted Schools* and the NCTQ brief on *Cultivating an Effective Teacher Workforce*

2. WHEN DISTRICTS EXPLORE NEW APPROACHES

District Examples of Performance-Based Compensation

The vast majority of states give districts the flexibility to determine teacher salaries. The following are examples that represent two different approaches to designing alternative salary schedules, based at least in part on teacher performance and student outcomes. One approach relies on a salary schedule; whereas, the other approach uses a percentage adjustment of base salary, depending on a teacher's evaluation results. It should be noted, however, that research on the success of these approaches is not available at this time.

- **Harrison School District 2 (Colorado Springs, Colorado)** determines teacher compensation according to a teacher's placement on a career ladder. Movement from one point on the career ladder to another is determined entirely by a teacher's performance on his or her evaluation, and every teacher on a given career ladder level receives the same salary. Teacher performance is based on a 100-point scale, with 50 points on teacher performance and 50 points on student achievement (using the Colorado state assessment test, curriculum-based measures or semester exams, quarterly district assessments, and a teacher-determined goal for student outcomes). There are no additional bonuses or stipends for taking on leadership responsibilities or other roles.

Sources: *Harrison Pay-for-Performance Plan, E&R (Effectiveness and Results) Scale, 2012–13 Non-E&R Licensed Salary Schedule, 2012–13 Agreement of Trust and Understanding, and Student Achievement Templates*

- **LEAP Academy University Charter School (Camden, New Jersey)** provides teachers with annual percentage salary increases based entirely on their overall evaluation score ratings that year. Teacher performance is based on a 100-point scale: 48 points for classroom observations, 24 points for leadership and professional contributions, and 28 points for student growth. The school uses four student growth measures, each worth 7 points. Teachers can receive one-time bonuses, ranging from 0.5 percent to 1.5 percent of base pay, based on leadership contributions.

Sources: *LEAP Academy University Charter School's Performance-Based Compensation Program, a case summary from the Center for Educator Compensation Reform; and Performance-Based Compensation Program and School Charter, documents from LEAP Academy University Charter School*

Harrison School District 2: Salary Schedule	
Five Effectiveness Levels	Salary Level (as of 2011)
Novice	\$35,000
Progressing I	\$38,000
Progressing II	\$40,000/\$44,000
Proficient I	\$48,000
Proficient II	\$54,000
Proficient III	\$60,000
Exemplary I	\$70,000
Exemplary II	\$80,000
Master	\$90,000

LEAP Academy University Charter School: Salary Schedule	
Evaluation Score Range	% Salary Increase
86-100	2.25-2.34%
80-85	2.00-2.24%
66-79	1.75-1.99%
60-65	1.25-1.74%
48-59	0.75-1.24%
39-47	0.50-0.76%
29-38	0.40%
0-28	0.00%

3. PERFORMANCE-BASED COMPENSATION IN THE UNITED KINGDOM A MODEL FROM ENGLAND AND WALES

In 2000, England and Wales adopted a national performance-based pay scale. The model was built on a predictable, guaranteed base-pay level that was indexed to inflation. Base pay was divided into:

- A main scale of six steps
- An upper scale composed of three steps

The main pay scale included annual pay raises for the first six years teaching of the same value across the country. Only teachers in and around London were paid at a higher level to reflect the higher cost of living in the London area. To move from the main or lower pay scale to the upper pay scale, teachers had to pass a threshold based on their performance and student outcomes. Educational degrees were not included in the salary scale.

Teachers also could earn annual bonuses by teaching hard-to-staff subjects or by taking on teacher leadership responsibilities. Exceptional teachers had a separate salary track. The Excellent Teacher scale included a salary range that far exceeded the salary levels on the main and upper pay scales. There was no schedule of steps and lanes for these excellent teachers and so, for the benefit of local flexibility, salary increases, presumably, were neither transparent nor predictable. The expectation was that the excellent teachers contributed to teaching and learning by sharing their practice with other teachers, and a prerequisite to the position was two years at the highest level of the upper pay scale (Teacher Pay, 2013).

Teacher Pay Scale Adopted by England and Wales in 2000

Main Scale Point	Annual Salary England and Wales*	Upper Scale Point	Annual Salary England and Wales*	Excellent Teachers	Annual Salary England and Wales*
1	£21,588	1	£34,181	Minimum	£39,697
2	£23,295	2	£35,447	Maximum	£52,090
3	£25,168	3	£36,756		
4	£27,104				
5	£29,240				
6	£31,552				

*Excluding London

However, beginning in autumn 2013 (with the first salary adjustments under the new system scheduled to take place in September 2014), this national teacher salary scale was dismantled and replaced by a performance-based salary system that, much like the former Excellent Teacher pay scale, allows for local discretion in salary determination within a set of national ranges. The division into a main and upper pay scale also were retained at the national level, and a third pay scale was created for leading practitioners, whose job primarily involves modeling and leading improvements in teachers' skills (Department of Education, United Kingdom, 2013).

Performance-Based Salary System in England in Wales in 2013	
Pay Range	Annual Salary England and Wales*
Main Pay Range	
Minimum	£21,804
Maximum	£31,868
Upper Pay Range	
Minimum	£34,523
Maximum	£37,124
Leading Practitioner	
Minimum	£37,836
Maximum	£57,520

*Excluding London

4. TRANSITIONING TO A PERFORMANCE-BASED SALARY SCALE Advice From TIF Experts

Since the federal TIF grants were first launched in 2006, schools and districts in 31 states have adopted PBCS. In *Institutionalizing Performance-Based Compensation by Revising the Salary Schedule: Introductory Overview and Design Principles for Revising the Single-Salary Schedule*, TIF human capital management and compensation experts Anthony Milanowski, Herb Heneman, and Matthew Graham (2012) provide two examples of salary structures that move beyond the traditional steps and lanes schedule. In addition, they provide guidance and considerations for states and districts considering the transition to PBCS.

WANT MORE DETAILS?

More information regarding specific TIF state and district approaches are available online at [Grantee Profiles by State](#).

- Option 1 provides increases in base pay relative to performance while retaining some aspect of the traditional salary schedule, such as the following:
 - Increases based on experience for the first several years
 - Salary benefits for teachers with a master's degree (preferably related to what they teach)
 - Bonuses that reward short-term performance
 - Elimination of any automatic salary increases after the first six years; all additional pay increases are based on performance measures

- Option 2 follows a career ladder approach to revising the salary schedule. This type of salary schedule promotes salary increases based on:
 - Development of knowledge and skills
 - Demonstration of teacher performance
 - Base pay increases determined by movement between career levels

Considerations for Transitioning to a New Salary Schedule

Milanowski, Heneman, and Graham (2012) provide the following guidance to districts or states that are considering transitioning to PBCS:

- Develop the PBCS in collaboration with key stakeholders (e.g., educators, union representatives, human resource directors, administrators, and parents).
- Design an overall system structure, and be specific about rules for salary advancement such as:
 - Beginning teacher pay
 - Number and spread of salary levels
 - Minimum number of years to reach the top of the salary schedule
 - Additional opportunities to earn bonuses or stipends
 - Special teacher situations such as new teachers with experience but no performance rating
 - How teachers will move across the schedule
- Be detailed and clear about an implementation timeline.
- Ensure continuous evaluation of the new compensation system, and provide opportunities for system revision.
- Develop a communication plan to ensure all stakeholders are informed.
- Estimate system costs, to ensure that the design is feasible and sustainable.

For additional details, refer to *Institutionalizing Performance-Based Compensation by Revising the Salary Schedule: Introductory Overview and Design Principles for Revising the Single-Salary Schedule*.



I WANT TO KNOW MORE!

Resources

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For more examples or information on this topic, please e-mail gtlcenter@air.org.

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