

Testimony of
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My testimony here will focus on how to use teacher compensation as a policy tool, or lever, to encourage the most qualified teachers to enter classrooms across the country and work to improve student achievement of all students, and particularly of needy students. There are a variety of ways that school leaders might use teacher compensation policy as part of a strategy to increase teacher quality in targeted areas. Additional compensation could be offered to teachers able to teach hard-to-staff subjects such as middle school and secondary mathematics, secondary science, or special education. Extra pay might also be offered to teachers willing to serve in economically disadvantaged areas or otherwise hard-to-staff geographic regions. Finally, performance pay might be awarded to teachers who are particularly effective at the ultimate objective of our schools: nurturing student learning and student achievement. The sections that follow will focus on the potential of performance pay for enhancing teacher quality and thus increasing student performance.

What is the Impact of Performance Pay on Teacher Quality and Student Achievement?

Essentially, performance pay plans refer to teacher compensation strategies that base a portion of a teacher's total compensation on some evaluation of the teacher's performance, which is generally based – at least in part – on objective measures of student achievement. A well-crafted plan that connects teacher compensation to student performance could positively influence classrooms across the United States in two ways.

In the short term, teachers currently in the classroom may be motivated to focus their work more effectively on enhancing student learning due to the performance rewards directly connected to student achievement. In the longer term, the impact of a

performance pay plan may be even greater by affecting the overall composition of the teaching force. The type of salary schedule currently employed in most schools across the country relies on no connection between pay and performance; thus, the teaching profession today may well be attractive to individuals who are not comfortable with any evaluation of their teaching effectiveness. Alternatively, if performance pay were implemented in a widespread manner, talented individuals motivated by high achievement and recognition might be more likely to consider teaching as a viable career option.

Unfortunately, there is evidence that a change in the composition of the teaching corps is needed because colleges of education are currently unable to attract the most talented students. Data from the National Center for Education Statistics and numerous other sources show that the SAT and ACT scores of undergraduate education majors are typically lower than the scores of their peers in other fields. Thus, it is important that we implement innovative strategies to draw our brightest young people into this field. It is quite possible that one of the barriers keeping some talented individuals out of the field is the fact that there is currently little recognition, monetary or otherwise, for effective job performance.

Thus, there is a reasonable theoretical justification for the concept of performance pay and empirical evidence that our current system of pay does not appear attractive to the most talented college students. But, is there any empirical support for the potential effectiveness of performance pay plans implemented in actual schools? As a matter of fact, yes. Three recent studies highlight this evidence.

First, in their examination of the literature on teacher incentive programs, “Teacher Performance Pay: A Review,” Michael J. Podgursky and Matthew G. Springer¹ note that the current literature on teacher incentive plans is slender and typically focused on short-run motivational effects. This small, but growing body of work is quite diverse in its methodologies, target populations, and types of programs. In their review of the evaluations of eight teacher performance pay programs implemented throughout the United States since the 1990s, Podgursky and Springer find that six programs revealed a positive correlation between incentives and student performance. Overall, the authors argue that recent research on incentive pay has consistently found positive effects, but much more robust research must be undertaken in order to proscribe how programs should best be designed. That is, how large should bonuses be, and how should programs mix individual with group incentives?

Second, David N. Figlio and Lawrence Kenny² published a comprehensive study in 2006 on the effects of teacher incentives on student performance throughout the United States. The authors used data from the National Education Longitudinal Survey supplemented with data from their own survey conducted in 2000 exploring the use of performance incentives. Figlio and Kenny conclude that students in schools that offer teachers individual financial rewards for effective teaching perform better on

¹ October 24, 2006, working paper submitted to the National Center on Performance Incentives, http://www.performanceincentives.org/ncpi_publications/PodgurskyandSpringer-TeacherPerformancePay.pdf

² David N. Figlio and Lawrence Kenny, NBER Working Paper Series, “Individual Teacher Incentives and Student Performance,” National Bureau of Economic Research, Working Paper 12627, <http://www.nber.org/papers/w12627>

standardized tests. While the authors do not view performance pay as a “silver bullet” for improving student performance, they see incentives as one way to attract more highly-skilled applicants into the teaching profession.

Finally, along with several colleagues at the University of Arkansas, I recently conducted a study of a teacher performance bonus program implemented at several schools in the Little Rock School District. Based on data reported by the District as well as data collected from the surveys of teachers, we find that students in the performance pay schools in 2005-06 showed an improvement of nearly 7 percentile points as compared to their peers in comparison schools. Moreover, teachers in the performance pay program reported no loss in teacher collaboration, that they were more satisfied with their salaries than comparison teachers, and that their work environment became more positive than the environment in comparison schools.

How Should Performance Pay Plans be Constructed?

One of the rare places of consensus in educational research is that good teaching matters. However, there is less agreement on the characteristics of excellent teachers. That is, the research is not clear on the extent, if any, to which teacher certification leads to greater student performance. Similarly, while much of the research points to the conclusion that brand new teachers do get better after a couple of years of teaching experience, there is debate over how long these “experience premiums” persist. Further, although many teachers across the country work to earn post-graduate degrees – and get paid higher salaries for these degrees – there is not much evidence to suggest that these additional degrees contribute to enhanced student learning.

In short, it's difficult to identify a good teacher based on credentials, but some teachers consistently induce greater student learning gains than do their peers. Clearly, these are the teachers that school leaders should want to reward and retain. Therefore, performance pay plans should be constructed in such a way that these effective teachers are recognized. In this way, with the focus on student achievement, we will encourage teachers to engage in behaviors that lead to higher student achievement and we will discourage teachers whose efforts do not lead to improved student performance.

Since effective teaching and student learning are the fundamental goals of teachers, a performance pay plan should primarily be focused on student achievement. One way to fairly and objectively measure student learning is student performance on well-designed achievement tests that are aligned to the school's (or state's) learning standards. Consequently, it follows that teacher performance in performance pay plans be measured by student achievement on well-designed and well-aligned assessments.

If Performance Pay is Effective, How Can Federal Policymakers Encourage It?

Many researchers and analysts advocate strongly that teacher pay be connected, at least to some extent, to student performance. However, there is no single best method to achieve this goal. Even among existing performance pay plans, there exists a great deal of variety with respect to the details of the plans. While some plans focus on individual teacher performance and individual rewards, others rely on school-wide performance and school-wide rewards. While some plans base teacher performance ratings on student achievement on national norm-referenced exams, other plans rely on the results of state-

developed, criterion-referenced assessments. While some plans base rewards on one year of academic improvements, others rely on academic results over multiple years.

Indeed, there is no optimal plan, but there are general guidelines that should be followed for a plan to have a chance to succeed. In this situation, the proper federal role may be to encourage, via grant-funding options, states and localities to develop their own performance pay plans based on local preferences and assessments. In fact, we can also be quite sure that any performance pay plan that is not supported by a majority of educators within a school is likely to face serious obstacles and will not be optimally effective.

Thus, the Teacher Incentive Fund program, which supports efforts to develop and implement performance-based teacher and principal compensation systems in high-need schools, and provides guidelines within which these systems must be constructed, seems an appropriate vehicle for federal policymakers to encourage improvements in teacher quality and student achievement.

If Performance Pay is Effective, Why has it Not Been Implemented More Widely?

The single salary schedule (or lock-step schedule), which pays teachers solely on the basis of seniority and educational attainment (degree level), operates within the vast majority of school districts around the nation. Thus, most school leaders are not choosing to use teacher compensation as a policy lever to encourage good teaching. In fact, there are no incentives in the current salary schedule for teachers to work toward enhanced student performance. A teacher in her 10th year with a Masters Degree who is

extraordinarily effective at engaging students and nurturing student learning receives a salary that is identical to that of her peer with the same level of education and experience who no longer works hard to energize students and is simply there for the paycheck.

However, it is no surprise that this uniform salary schedule remains intact in most districts – teacher groups are powerful and leaders of these groups intend to represent all teachers (not students). Thus, teacher group leaders are not likely to encourage a salary structure that highlights some teachers over others. This is understandable, however, it limits the ability of administrators to use salary as a strategy to encourage better teaching. In the end, if this single-salary schedule limits the ability of school leaders to enhance teacher quality – and many have made this claim vehemently and effectively – then the single salary schedule used in the name of equity for teachers may in fact lead to less effective teaching for our students. This is clearly inequitable as the students most likely to suffer from ineffective teaching are those attending school in our most disadvantaged schools.