



## Research Brief

### Merit Pay for Principals

**Question:** Given that *Race to the Top* grants from the US Department of Education encourage linking teacher and principal evaluation to student achievement, what do we know about merit pay for principals? What does the research say about merit pay systems?

#### In A Nutshell

The funds available through the *Race to the Top* program have rekindled the discussion about the benefits of merit pay for teachers and principals. During the past three decades several states and some local school districts have begun merit-pay systems with inconsistent results on student achievement and teacher morale.

*Race to the Top* guidelines do not mandate merit-pay systems but do suggest that growth in student achievement be one of multiple measures to evaluate teacher and principal performance. The guidelines are clear about using student growth rather than raw student proficiency data.

The debate about merit pay is as much a political as an educational debate with the proponents and opponents aligned in rather consistent philosophical camps. Including merit-pay considerations in *Race to the Top* guidelines has muddied the political debate about the appropriateness of merit-pay systems. Much of the research on merit pay systems looked at incentives for teachers rather than principals.

#### Summary of Findings:

Merit pay is a hotly debated issue. There have been many attempts to implement merit pay systems but it has never gained widespread acceptance. The debate has been rekindled with the *Race to the Top* grants available to individual states. One of the criteria for allocating *Race to the Top* funds is whether states use growth in student achievement to assess the effectiveness of teachers and principals. The debate is often part of a larger political discussion about schools and schooling. More conservative advocacy groups tend to support a merit pay system while more liberal advocacy groups oppose merit pay.

Arguments in Support	Arguments Against
<ul style="list-style-type: none"> <li>• Merit pay improves the focus on student learning.</li> </ul>	<ul style="list-style-type: none"> <li>• Merit pay does not improve performance but may increase test scores for the short-term.</li> </ul>
<ul style="list-style-type: none"> <li>• Merit pay provides incentives for principals to work harder.</li> </ul>	<ul style="list-style-type: none"> <li>• Merit pay encourages principals, and their teachers, to focus on test scores rather than the broader curriculum.</li> </ul>
<ul style="list-style-type: none"> <li>• Merit pay attracts and rewards quality principals.</li> </ul>	<ul style="list-style-type: none"> <li>• Merit pay undermines cooperation and teamwork among administrators.</li> </ul>
<ul style="list-style-type: none"> <li>• School and principal performance can be measured and is appropriate to use in determining pay.</li> </ul>	<ul style="list-style-type: none"> <li>• The success of principals is hard to measure in a way that is fair. There are vast differences in schools, the resources they have, and the communities they serve.</li> </ul>



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<ul style="list-style-type: none"> <li>• Standardized tests are a sufficient measure of student learning and can be used to measure principal performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Student performance is an insufficient measure of principal performance.</li> </ul>
<ul style="list-style-type: none"> <li>• Merit pay allows more successful principals to be rewarded.</li> </ul>	<ul style="list-style-type: none"> <li>• Merit pay punishes principals who are assigned more challenging schools.</li> </ul>
<ul style="list-style-type: none"> <li>• Principals should be paid on merit, not length of service.</li> </ul>	<ul style="list-style-type: none"> <li>• Decisions about merit pay risks favoritism and cronyism.</li> </ul>

Adapted From: [http://debatepedia.org/en/index.php/Debate: Merit pay for teachers](http://debatepedia.org/en/index.php/Debate:_Merit_pay_for_teachers) and <http://archives.aasa.org/content.cfm?ItemNumber=8207>

### ***Race to The Top* Criteria on Merit Pay**

In a summary of the *Race to the Top* Program (<http://www2.ed.gov/programs/racetothetop/faq.pdf>) the US Department of Education stated, “The Department believes that teacher and principal evaluations and related decisions should be based on multiple measure of teacher performance. The Department also believes that student growth should be one of those measures” (p. 16). The Department of Education is clear about the importance of basing evaluations in part on student growth.

The Department was also clear that “student growth, not raw student achievement or proficiency data, is the relevant measure on which to focus teacher and principal evaluations. Further, the definition of “effective teacher,” “effective principal,” “highly effective teacher,” and “highly effective principal” should use student growth as a significant factor in determining effectiveness (p. 16).

### **Designing Performance-Based Incentive Programs for Principals**

While opposing the adoption of performance-based systems, the National Association of Secondary School Principals (NASSP) has a set of guidelines ([www.principals.org/Content.aspx?topic=57527](http://www.principals.org/Content.aspx?topic=57527)) for the implementation of such systems. Highlights include:

- Districts should collaborate to develop performance-based compensation systems for principals in conjunction with similar systems for teachers for the purpose of rewarding high-level performance of individual educators, creating incentives for individuals to improve their performance, and/or providing recruitment and retention incentives
- Districts should collaborate with principals, superintendents, professional associations, and unions (where applicable) in developing and implementing performance-based compensation systems for principals
- Performance-based compensation systems should be developed and implemented as one component of the district school improvement plan and be linked to policies for recruiting and retaining highly effective principals
- Performance awards for principals should be substantial, and performance-based compensation should be budgeted and sustainable by school districts
- School districts should not limit the number of performance awards, but provide performance awards to all principals who meet the designated criteria
- School districts should assist individual principals in developing individual professional growth plans that include goals and objectives focused on building the principal’s capacity to lead the school to higher levels of success; thus helping to insure the principal’s eligibility for performance awards
- School districts implementing a performance-based compensation system design should offer ongoing, job-embedded professional development that is aligned with district and school



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- improvement plans and individualized to help principals meet their goals
- Principal performance should take into account the context in which a school operates and be based on multiple objective measures beyond student performance indicators. NASSP suggests the following indicators:
    - Performance on state and local assessments (measures of individual student growth from year to year)
    - Graduation rates and/or promotion rates
    - Participation in advanced courses, including but not limited to Advanced Placement and International Baccalaureate, dual-enrollment, pre-AP and similar rigorous courses at the middle level
    - Implementation of innovative program enhancements such as career and technical education, international and environmental studies, and community service
    - College and work readiness
    - College attendance rates (if data are available)
    - School and district improvement objectives
    - School climate data
    - Parent participation
    - School and community collaboration
    - Teacher retention/transfer rates
  - School districts should examine quantitative and qualitative data pertaining to academic and nonacademic indicators listed in the previous recommendation in their performance appraisals of principals, including the following measurements:
    - Self-assessments
    - Supervisor visits to the school
    - School documentation of classroom observations; faculty meeting agendas; records of leadership team, department, team, or grade level meetings; records or minutes of site council, business partnership, or parent organization meetings; etc.
    - Climate surveys (parent, staff, students, and community)
    - Teacher, other school staff, parent, and student evaluations
  - Principals should receive additional compensation for serving and maintaining success in high-poverty and other hard-to-staff schools
  - Districts should provide additional compensation for exemplary principals who obtain national advanced certification once such recognition is in place
  - Districts should regularly evaluate performance-based compensation systems to assess their impact on increasing student achievement

### Research on Merit Pay Systems

There is data to support both sides of the merit pay debate.

A September 2010 report from the Project on Incentives in Teaching (POINT), affiliated with the National Center on Performance Incentives at Vanderbilt University, found that merit pay systems have “little overall impact on student achievement.” The study used a randomized sample of middle school math teachers in the Nashville Public Schools from 2006-2009. Participants were volunteers and could receive bonuses as high as \$15,000 for specific achievement gains. By the end of the three-year period there were not differences in achievement for students with teachers who received incentives as opposed to teachers with no incentives (<http://www.njpsa.org/agr/news.cfm?newsid=911>).



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Proponents use the results of the Professional Compensation System for Teachers in the Denver Public Schools as evidence that merit pay systems work. The program uses a variety of factors to measure teacher performance besides standardized test results. Teachers select options from a menu of raises and bonuses that are based on student growth or on taking a more challenging assignment. The Denver system positively impacted student learning (<http://static.dpsk12.org/gems/newprocomp/ProCompEvaluation200607.pdf>).

A study conducted by two University of Florida economics professors (Figlio & Kenny, 2007) found that merit pay for teachers resulted in better test scores (<http://news.ufl.edu/2007/01/04/teacher-merit-pay/>). The researchers found that “students at schools with teacher pay-for-performance programs scored an average of one to two percentage points higher on standardized tests than their peers at schools where no bonuses were offered.”

A study of the relationship between merit-pay and teacher motivation (McBride & Kritsonis, 2008) found that if merit-pay systems are implemented fairly, these programs are successful in positively impacting productivity (student scores) and teacher morale. For example, the study reported that after Houston Independent School District launched its ASPIRE program in 2005 that the number of teachers voluntarily leaving the district decreased by 19% with a 25% reduction in the turnover of teachers with less than 4 years experience. Teacher absenteeism also declined and the achievement gap for minorities was narrowing.

#### Examples of Merit Pay Systems and Their Success

While the number of states with merit pay systems changes annually, Alaska, Arizona, Arkansas, Florida (<http://www.fldoe.org/PerformancePay/>), Georgia, Minnesota ([http://education.state.mn.us/MDE/Teacher\\_Support/QComp/index.html](http://education.state.mn.us/MDE/Teacher_Support/QComp/index.html)), North Carolina and Texas have statewide performance-pay plans. Some individual school districts such as Denver (<http://denverprocomp.dpsk12.org/>) and Houston (<http://portal.battelleforkids.org/ASPIRE/Home.html?sflang=en>) also have merit pay systems.

**Arkansas** – A 2007 study of a teacher pay-for-performance system in Little Rock, AR found that the program “produces significant gains in student performance on standardized tests and a more positive work environment for teachers” ([http://www.uark.edu/ua/der/Research/merit\\_pay.html](http://www.uark.edu/ua/der/Research/merit_pay.html)). In the Little Rock plan teachers could earn a bonus of up to \$11,000. The bonuses reduced, in one year, the “test score gap between white and black students, on average” by one-sixth. The National Education Association challenged the credibility of results based on data from a single year and in a handful of schools.

**Texas** – This state piloted Governor’s Educator Excellence Grants between 2005-06 and 2008-09 in 99 school districts. Individual bonuses were \$3000 or less. The Texas plan required that districts involve teachers in designing the performance incentive plans. A study by the National Center on Performance Incentives at Vanderbilt University found that the grants did not result in significant increases in student test scores. There was some “weakly positive, negative or negligible effect on student-test score gains” reported. Opponents of the plan suggested that incentives would lead to turnover among teachers. The study did not find that to be true.

**Tennessee** – Tennessee implemented the Tennessee Career Ladder Evaluation System in 1984. This merit-pay system was a form of differentiated staffing that combined professional development with



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financial and other career rewards. The plan was voluntary for veteran teachers but required for new teachers. A 2004 study of the effects of the Tennessee system found that career-ladder teachers increased mathematics scores by roughly 3 percentile points but had generally smaller or insignificant gains on reading (Dee & Keys, 2004).

(<http://www3.interscience.wiley.com/journal/109072269/abstract?CRETRY=1&SRETRY=0>)

### Caution From the Private Sector

A research report from the Economic Policy Initiative ([www.epi.org](http://www.epi.org)) cautions policymakers about applying principles from the private sector in schools. In *Teachers, Performance Pay, and Accountability: What Education Should Learn from Other Sectors* (Adams, Heywood & Rothstein, 2007), the authors suggest that quantitative measures are incomplete in education and are particularly incomplete among professionals with complex roles such as teachers. They also reported that most governmental functions involve substantial team activity and require a multi-dimensional measure of success. Creating a system that promotes individual success often leads to unintended outcomes such as failure to share successful practices. Finally, the authors say that test-based accountability fails to take into account the wide variation in student characteristics (poverty, mobility, family stress, lack of literacy support at home), factors that are often highly related to student success.

### Summary

Several states and some local school districts have implemented merit-pay plans with inconsistent effects on student achievement and teacher morale. The data indicate that the most successful plans are those that are collaboratively developed, implemented and monitored.

### Online Resources:

#### **Race to the Top Program: Guidance and Frequently Asked Questions**

From US Department of Education, January 2010

<http://www2.ed.gov/programs/racetothetop/faq.pdf>

[www.performanceincentives.org/news/detail.aspx?pageaction=ViewSinglePublic&LinkID=46&ModuleID=28&NEWSPID=1](http://www.performanceincentives.org/news/detail.aspx?pageaction=ViewSinglePublic&LinkID=46&ModuleID=28&NEWSPID=1)

#### **Denver ProComp System**

The official website of the Denver ProComp system provides details about their program.

<http://denverprocomp.dpsk12.org/>

#### **Denver Public Schools – Pay for Performance Plan**

[www.dpsk12.org/news/documents/PayForPerformance.html](http://www.dpsk12.org/news/documents/PayForPerformance.html)

#### **The Merit Pay Debate**

A discussion of the advantages and disadvantages of merit pay systems is included in this article.

[http://educationalissues.suite101.com/article.cfm/the\\_merit\\_pay\\_debate](http://educationalissues.suite101.com/article.cfm/the_merit_pay_debate)

#### **Exploring the Possibility and Potential for Pay for Performance in America's Public Schools (AASA – June 2009)**

[www.aasa.org/uploadedFiles/Publications/\\_files/PFPFinal.pdf](http://www.aasa.org/uploadedFiles/Publications/_files/PFPFinal.pdf)

#### **Center for Educator Compensation Reform**

[www.cecr.ed.gov/guides/researchSyntheses/Research%20Synthesis\\_Q%20C11.pdf](http://www.cecr.ed.gov/guides/researchSyntheses/Research%20Synthesis_Q%20C11.pdf)



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### **Consortium for Policy Research in Education**

Synthesis of research on teacher performance pay plans

[www.cpre.org/images/stories/cpre\\_pdfs/RB46.pdf](http://www.cpre.org/images/stories/cpre_pdfs/RB46.pdf)

### **National Center on Performance Incentives - Vanderbilt University Peabody College**

[www.performanceincentives.org/](http://www.performanceincentives.org/)

### **State by State Resources – from National Center on Performance Incentives**

[www.performanceincentives.org/statebystate\\_resources/index.aspx](http://www.performanceincentives.org/statebystate_resources/index.aspx)

### **Texas Merit-Pay Pilot Failed to Boost Student Scores**

[http://blogs.edweek.org/edweek/inside-school-research/2009/11/texas\\_merit-pay\\_pilot\\_failed\\_t.html](http://blogs.edweek.org/edweek/inside-school-research/2009/11/texas_merit-pay_pilot_failed_t.html)

### **Florida Study of Merit Pay.**

<http://news.ufl.edu/2007/01/04/teacher-merit-pay/>

### **The M&M Effect- Assessing the Impact of Merit Pay on Teacher Motivation**

<http://www.nationalforum.com/Electronic%20Journal%20Volumes/Coates-McBride,%20Alison%20The%20M&M%20Effect%20-%20Assessing%20the%20Impact%20of%20Merit%20pay%20on%20Teacher%20Motivation.pdf>

### **Economic Policy Institute Report on Merit Pay**

[http://www.epi.org/page/-/pdf/20090514\\_merit\\_pay\\_pr.pdf](http://www.epi.org/page/-/pdf/20090514_merit_pay_pr.pdf)

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Material in this brief adapted from [Merit Pay for Teachers](#) by Ronald Williamson  
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