

C. Questions specific to performance pay

What do we know about the conditions under which teachers and principals will support performance pay?

Research suggests that certain conditions increase the likelihood that teachers and administrators will support performance-based pay:

- Teachers must perceive evaluations as fair (Cornett & Gaines, 1994; Milanowski, 2006; Murnane & Cohen, 1986; Siegall & Worth, 2001; St. Onge, 2000; Vest, Scott, Vest, & Markham, 2000).
- Teachers must be involved in the development of the incentive pay plan (Cornett & Gaines, 1994; Koppich, Prince, Guthrie, & Schuermann, 2009).
- Plans need secure and stable financing to reassure personnel that bonuses will be paid (Kelley, Heneman, & Milanowski, 2002).
- Pay practices should align with the strategic needs of organizations (Mohrman, Mohrman, & Odden, 1996).
- Teachers who previously received an incentive are more likely to support performance-based compensation programs (Kelley, Odden, Milanowski, & Heneman, 2000; Taylor & Springer, 2009).

Ensuring that teachers and/or administrators accept a new policy regarding pay structure requires that personnel perceive the evaluation system used to determine bonuses as fair, rigorous, and reliable. In a study monitoring teacher performance incentive policies across the country for a period of 10 years, Cornett and Gaines (1994) found that teacher perceptions of unfair or unreliable systems of evaluation for the receipt of rewards led to the failure of programs. In addition, they found that involving teachers in the development process increased feelings of ownership, thus increasing teacher buy-in.

In the private sector, research has shown that trust in management is essential to the acceptance of performance-based compensation initiatives. Vest et al. (2000) found that trust in supervisors and top management, to a greater degree, had a correlation with perceived appraisal accuracy, which influenced the belief that pay accurately relates to performance. Additional research also showed a similar pattern between the level of trust in management and employee beliefs about performance-based compensation (Siegall & Worth, 2001; St. Onge, 2000).

Fairness also was an issue of concern for students who intended to become educators. These potential teachers participated in focus group interviews during their freshman and sophomore years of college at a large, Midwestern university (Milanowski, 2006). Milanowski conducted these focus groups to discern the attitudes of potential teachers toward pay-for-performance systems. The results of the study showed that focus group participants were more comfortable with rewards based on individual performance or skill than with pay based on group performance.

Perhaps more important, the study showed that preservice teachers are not inherently opposed to pay-for-performance systems due to “personality or work values...suggesting that attitudes toward pay for performance are the result of socialization and prior experiences rather than personality and values” (Milanowski, 2006, p. 8). Consequently, teacher and administrator buy-in to incentive-pay plans remains both crucial and attainable for success. The private sector research literature also is clear about the importance of perceptions of fairness to the success of performance-pay programs (Cooper, Dyck, & Frohlich, 1992; Gross & Bacher, 1993; Welbourne & Gomez Mejia, 1995). In a mixed methods study of teacher attitudes and behaviors and student outcomes of school-based teacher bonuses in school districts in Kentucky and North Carolina, Kelley et al. (2002) found that the perception of lack of funding or discontinuity led to a decrease in teacher support for performance-based compensation. Teachers had little faith that they would receive the bonuses earned.

Finally, an essential component of incentive-based compensation programs is the alignment

of compensation systems to the strategic need of organizations to maximize the impact of the reform (Mohrman et al., 1996). The concept of aligning human capital management decisions along an educator’s career continuum is still developing. However, researchers are beginning to delve into the idea of alignment, what it means, and how it can support performance-based compensation. In a recent review of the research, Jerald (2009) identifies the importance of vertical (fit between human resources policies and practices and the goals of an organization) and horizontal (fit among human resources policies and practices) alignment of performance-based compensation programs and provides recommendations for states and districts considering performance-based compensation, including the following:

- Design performance-based compensation programs that encourage school systems to work toward vertical alignment with system goals and horizontal alignment with other human resource areas.
- Use programs to boost instructional leadership capacity and improve professional development and teacher evaluation systems.

Finally, an essential component of support for performance-based compensation is previous receipt of a performance award. Research about performance-based compensation in Texas found that teachers who received no award had a heightened probability of turnover, whereas teachers who received relatively large awards had a greatly reduced probability of turnover (Taylor & Springer, 2009). Springer et al. (2010) found similar results in their evaluation of the POINT program in Nashville, Tennessee.

References

- Cooper, C. L., Dyck, B., & Frohlich, N. (1992). Improving the effectiveness of gainsharing: The role of fairness and participation. *Administrative Science Quarterly*, 37(3), 471–490.
- Cornett, L. M., & Gaines, G. F. (1994). *Reflecting on ten years of incentive programs: The 1993 SREB Career Ladder Clearinghouse Survey*. Atlanta, GA: Southern Regional Education Board. Retrieved March 11, 2011, from <http://www.eric.ed.gov/PDFS/ED378163.pdf>
- Gross, S. E., & Bacher, J. P. (1993). The new variable pay programs: How some succeed, why some do not. *Compensation and Benefits Review*, 25(1), 51–56.
- Jerald, C. (2009). *Aligned by design: How teacher compensation reform can support and reinforce other educational reforms*. Washington, DC: Center for American Progress. Retrieved March 11, 2011, from http://www.americanprogress.org/issues/2009/07/pdf/teacher_alignment.pdf
- Kelley, C., Heneman, H. G., III, & Milanowski, A. (2002). School-based performance rewards: Research findings and future directions. *Educational Administration Quarterly*, 38(3), 372–401.
- Kelley, C. Odden, A., Milanowski, A., & Heneman, H. G. III. (2000). *The motivational effects of school-based performance awards* (CPRE Policy Brief RB-29). Philadelphia, PA: Consortium for Policy Research in Education. Retrieved March 11, 2011, from <http://cpre.wceruw.org/publications/rb29.pdf>
- Koppich, J., Prince, C. D., Guthrie, J. W., & Schuermann, P. J. (2009). *Stakeholder engagement and communication: Guide to implementation: Resources for applied practice*. Washington, DC: Center for Educator Compensation Reform. Retrieved March 15, 2011, from <http://cecr.ed.gov/pdfs/guide/CECRStakeholderEngagement.pdf>
- Milanowski, A. (2006). *Performance pay system preferences of students preparing to be teachers* (WCER Working Paper No. 2006–8). Madison, WI: Wisconsin Center for Education Research. Retrieved March 11, 2011, from http://www.wcer.wisc.edu/publications/workingpapers/Working_Paper_No_2006_08.pdf
- Mohrman, A. M., Jr., Mohrman, S. A., & Odden, A. R. (1996). Aligning teacher compensation with systemic school reform: Skill-based pay and group based performance rewards. *Educational Evaluation and Policy Analysis*, 18(1), 51–71.
- Murnane, R. J., & Cohen, D. K. (1986). Merit pay and the evaluation problem: Why most merit pay plans fail and a few survive. *Harvard Educational Review*, 56(1), 1–17.
- Siegall, M., & Worth, C. (2001). The impacts of trust and control on faculty reactions to merit pay. *Personnel Review*, 30(6), 646–656.
- Springer, M. G., Ballou, D., Hamilton, L., Le, V., Lockwood, J. R., McCaffrey, D. F., et al. (2010). *Teacher pay for performance: Experimental evidence from the Project on Incentives in Teaching*. Nashville, TN: National Center on Performance Incentives. Retrieved March 11, 2011, from http://www.performanceincentives.org/data/files/pages/POINT%20REPORT_9.21.10.pdf

St. Onge, S. (2000). Variables influencing the perceived relationship between performance and pay in a merit pay environment. *Journal of Business and Psychology*, 14(3), 459–479.

Taylor, L. L., & Springer, M. G. (2009). Optimal incentives for public sector workers: The case of teacher-designed incentive pay in Texas (Working Paper 2009-05). Nashville, TN: National Center on Performance Incentives. Retrieved March 11, 2011, from http://www.performanceincentives.org/data/files/news/PapersNews/200905_TaylorSpringer_OptimalIncentive.pdf

Welbourne, T. M., & Gomez Mejia, L. R. (1995). Gainsharing: A critical review and a future research agenda. *Journal of Management*, 21(3), 559–609.

Vest, M. J., Scott, K., Vest, J. M., & Markham, S. E. (2000). Factors influencing employee beliefs that pay is tied to performance. *Journal of Business and Psychology*, 14(4), 553–562.

This synthesis of key research studies was written by:

Jackson Miller, Westat.

The Center for Educator Compensation Reform (CECR) was awarded to Westat — in partnership with Learning Point Associates, Synergy Enterprises Inc., Vanderbilt University, and the University of Wisconsin — by the U.S. Department of Education in October 2006.

The primary purpose of CECR is to support Teacher Incentive Fund (TIF) grantees in their implementation efforts through provision of sustained technical assistance and development and dissemination of timely resources. CECR also is charged with raising national awareness of alternative and effective strategies for educator compensation through a newsletter, a Web-based clearinghouse, and other outreach activities.

This work was originally produced in whole or in part by the CECR with funds from the U.S. Department of Education under contract number ED-06-CO-0110. The content does not necessarily reflect the position or policy of CECR or the Department of Education, nor does mention or visual representation of trade names, commercial products, or organizations imply endorsement by CECR or the federal government.



Center for
Educator Compensation
Reform

Allison Henderson, Director

Phone: 888-202-1513

E-mail: cecr@westat.com