C. Questions Specific to Performance Pay

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

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

- Evaluation of teachers must be perceived as fair (Cornett & Gaines, 1994; Milanowski, 2006; Murnane & Cohen, 1986).
- Teachers must be involved in the development of the incentive pay plan (Cornett & Gaines, 1994).
- Plans must be securely and stably financed to reassure personnel that bonuses will be paid (Kelley, Heneman, & Milanowski, 2002).
- Pay practices must be matched to the strategic needs of organizations (Mohrman, Mohrman, & Odden, 1996).

Ensuring that teachers and/or administrators accept a new policy regarding pay structure requires personnel to perceive the evaluation system used to determine bonuses as fair, rigorous, and reliable. In a study monitoring teacher performance incentive policies across the country over 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. On the other hand, they found that involving teachers in the development process increased teacher buy-in.

Fairness also was an issue of concern for students who intended to become educators. These potential teachers were interviewed in focus groups 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 participants in these groups were more comfortable with rewards based on individual performance or skill than with pay based on group performance.

Perhaps more importantly, 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). 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 mitigated the motivating pressure of incentive pay. In other words, teachers had little faith that bonuses would be paid even if prespecified school and program level goals were met. The resulting low confidence levels that teachers expressed in the incentive-pay programs affected the motivational influence they yielded over participants.

Finally, an essential component of incentive-based compensation programs is the alignment of compensation systems to the strategic need of organizations in order to maximize the impact of the reform (Mohrman et al., 1996).

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