



# Performance-Based Teacher Compensation Systems

# District Leadership Forum

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# 1) Executive Overview

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## Key Observations

**Most profiled districts adopted performance-based compensation to increase teacher retention and student achievement.** Administrators at **District A**, **District C**, **District D**, and **District E** developed performance-based compensation systems to increase student achievement and teacher effectiveness. The compensation systems at District D, District C, and District E also provide incentives designed to retain high-performing teachers in high-poverty and struggling schools.

**Performance-based compensation helps increase teacher retention at profiled districts.** Contacts at **District A**, **District B**, **District C**, and **District E** report that performance-based compensation systems help retain teachers. In District C, the system has helped the district retain over 94 percent of teachers rated as 'Very Effective' in high-poverty schools. Leaders at District A and District B also note that the compensation systems may help the district recruit teachers.

**Profiled districts use one of three types of performance-based compensation.**

1. A **modified steps-and-lanes system** alters a traditional salary schedule to incorporate some performance-based criteria.
2. A **multiple incentive system** provides teachers with a wide variety of incentives and bonuses. These aim to influence teacher behaviors to help achieve specific district goals.
3. A **teacher career ladder system** establishes career stages that correspond with different levels of compensation. Teachers move up and down a career ladder according to evaluation ratings.

**Include stakeholders when designing new compensation systems and communicate regularly with teachers to build support.** Because performance-based compensation systems are relatively uncommon, most teachers and district stakeholders will be unfamiliar with these compensation models. Administrators at **District F** and **District B** included teachers, administrators, representatives from local teachers' unions, and principals in efforts to design new compensation systems. District leaders continue regular communication with teachers and school principals to identify problems and ensure that teachers understand the system.

**Redesign teacher evaluation systems with clear, robust performance definitions.** All but one profiled district use evaluations to determine teacher compensation. When these districts implemented performance-based compensation systems, administrators also overhauled the teacher evaluation process. Well-defined standards of performance and robust evaluation procedures help ensure that teacher evaluations provide fair and objective results.

**Use financial modeling and structural safeguards to ensure financial sustainability.** Forecasting future salary expenditures is more difficult with non-traditional compensation models than for traditional steps-and-lanes salary schedules. Administrators should carefully evaluate incentive structures to ensure that performance-based incentives and salary increases remain financially sustainable. Most profiled districts also include safeguards to limit potential financial obligations.

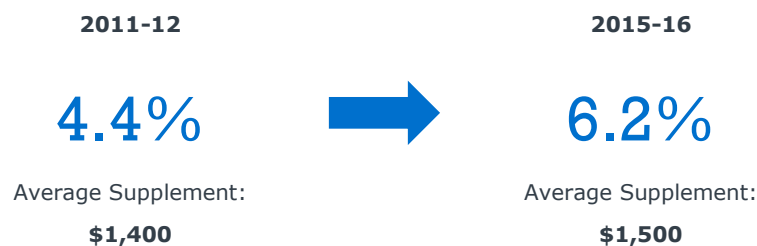
## 2) Overview

### Compensation Systems

#### Although Still Uncommon, More Districts Now Use Performance-Based Compensation Systems

Although most school districts continue to use traditional teacher compensation systems, a growing minority of districts have adopted performance-based compensation systems. In the 2015-2016 school year, 6.2 percent of teachers surveyed by the National Center for Education Statistics (NCES) reported that they would earn additional compensation based upon student performance. This is an increase from only 4.4 percent in 2011-2012.

#### Percent of Teachers Earning Performance-Related Compensation<sup>1,2</sup>



#### Traditional Steps-and-Lanes Compensation Systems Increase Salary Based on Formal Education and Seniority

Researchers at the Wisconsin Center for Education Research note that most districts across the nation use a steps-and-lanes salary schedule to set teacher compensation.<sup>3</sup> Each step represents a year of teaching service, and each lane categorizes teachers according to educational attainment (e.g., bachelor's degree, master's degree). Often, salary lanes also consider additional academic courses completed beyond the requirements of a degree. These salary schedules offer a simple and predictable system for determining teacher pay but do not factor teacher performance or achievements into compensation decisions.

#### Example of a Steps-and-Lanes Compensation System

Steps (Annual Service)	Educational Attainment Lanes				
	Bachelor of Arts (BA)	BA + 15 Credits	BA + 30 Credits	Master of Arts (MA)	MA + 30 Credits
1 <sup>st</sup> Year	\$33,600	\$35,300	\$37,000	\$38,900	\$40,800
2 <sup>nd</sup> Year	\$34,300	\$36,000	\$37,800	\$39,700	\$41,700
3 <sup>rd</sup> Year	\$35,000	\$36,700	\$38,500	\$40,500	\$42,500
4 <sup>th</sup> Year	\$35,700	\$37,400	\$39,300	\$41,300	\$43,300
5 <sup>th</sup> Year	\$36,400	\$38,200	\$40,100	\$42,100	\$44,200

1) Soheyla Taie and Rebecca Goldring "Characteristics of Public Elementary and Secondary School Teachers in the United States: Results from the 2015-16 National Teacher and Principal Survey First Look (NCES 2017-072rev)." (2018, Table 6)

2) U.S. Department of Education. "Schools and Staffing Survey (SASS), Public School Teacher Data File 2011-12." [https://nces.ed.gov/surveys/sass/tables/sass1112\\_2013314\\_t1s\\_006.asp](https://nces.ed.gov/surveys/sass/tables/sass1112_2013314_t1s_006.asp)

3) Steven Kimball, Herbert Heneman, Robin Worth, Jessica Arrigoni, and Daniel Marlin. "Teacher Compensation: Standard Practices and Changes in Wisconsin." (2016) [https://wcer.wisc.edu/docs/working-papers/Working\\_Paper\\_No\\_2016\\_5.pdf](https://wcer.wisc.edu/docs/working-papers/Working_Paper_No_2016_5.pdf)

## Profiled Districts Use One of Three Types of Performance-Based Compensation System

While the six performance-based compensation systems at profiled districts retain unique qualities and characteristics, this research brief categorizes each system into one of three categories.

### Three Types of Profiled Performance-Based Compensation Systems

#### Modified Steps-and-Lanes Systems



Compensation systems at **District A** and **District B** consider teacher performance with a traditional steps-and-lanes salary schedule. In District A, teachers receive automatic step increases each year, but instead of salary lanes defined by educational attainment, the district assigns teachers to salary lanes based on the completion of specified professional development courses. Teachers in District B advance one step along a salary schedule as long as they receive an evaluation rating of 'Effective' or 'Very Effective', the top two of four possible ratings.

#### Multiple Incentive Systems



**District C** and **District D** offer a wide range of salary increases, bonuses, and stipends to incentivize various behaviors. **District D** offers multiple mechanisms for teachers to receive additional compensation, ranging from completing professional development to serving in a top-performing school.

#### Teacher Career Ladder Systems



Teacher compensation systems at **District E** and **District F** differ most from traditional salary systems. These districts place teachers on career ladders based on the results of performance evaluations. Each level on the career ladder corresponds with a different salary level. Teachers in these compensation systems may face salary reductions if performance falters.

## System Impacts

### Most Profiled Districts Adopted Performance-Based Compensation to Increase Student Achievement and Teacher Retention

Administrators at **District C**, **District D**, and **District E** developed performance-based compensation systems with incentives to reward teachers for increasing student achievement. To increase teacher effectiveness, **District A** and **District D** incentivize teachers to complete professional development courses. The compensation systems at **District D**, **District C**, and **District E** also provide incentives designed to retain high-performing teachers in high-poverty and struggling schools.

Facing limited budgets and unable to offer competitive salaries, district leaders at **District F** adopted a performance-based compensation system to improve teacher recruitment efforts. With this system, high-performing new teachers can receive meaningful compensation increases more quickly than in a traditional salary schedule. Administrators at **District B** implemented a performance-based compensation system to comply with a state law, which requires that school districts use a performance-based salary schedule to compensate teachers.

Grant awards from the U.S. Department of Education also have encouraged school districts to adopt performance-based compensation models.<sup>4</sup> Congress established the Teacher Incentive Fund in 2006 to provide grants to support performance-based

4) Steven Kimball, Herbert Heneman, Robin Worth, Jessica Arrigoni, and Daniel Marlin. "Teacher Compensation: Standard Practices and Changes in Wisconsin." (2016) [https://wcer.wisc.edu/docs/working-papers/Working\\_Paper\\_No\\_2016\\_5.pdf](https://wcer.wisc.edu/docs/working-papers/Working_Paper_No_2016_5.pdf)

compensation systems for teachers and principals in high-need schools. Between 2006 and 2012, the program awarded about \$1.8 billion dollars to help states and districts create comprehensive, performance-based compensation systems for teachers and principals.<sup>5</sup>

## Research Offers Mixed Results on the Effectiveness of Performance-Based Compensation Systems

Researchers at the University of Vanderbilt and the Rand Corporation studied programs in the Metropolitan Nashville School System and New York City Department of Education. These programs provided teachers with financial rewards if student scores on standardized tests increased. Both studies found that the financial incentives did not generate a meaningful difference in test scores.<sup>6,7</sup>

However, other studies offer evidence that performance-based compensation systems do impact student learning and achievement. A National Bureau of Economic Research working paper found that the performance-based compensation system used by **District C** increased teacher performance and led to the departure of more low-performing teachers from the district. Additionally, a study on ten districts that received awards from the Teacher Incentive Fund found that performance-based compensation systems led to slightly higher student achievement in reading and math.<sup>8</sup>

## Performance-Based Compensation Benefits Teacher Retention at Profiled Districts

Contacts at **District A**, **District B**, **District C**, and **District E** report that performance-based compensation systems help the district retain teachers. In District C, the system has helped the district retain over 94 percent of teachers rated as 'Very Effective' in high-poverty schools. Leaders at District A and District B also note that the compensation systems may help the district recruit teachers.

At District B, **District D** and District E, contacts report that performance-based compensation systems may have contributed to higher average student scores on standardized tests. However, administrators at District D note that many other factors also influence student scores.

5) Hanley Chiang et.al. "Evaluation of the Teacher Incentive Fund: Final Report on Implementation and Impacts of Pay-for-Performance Across Four Years" (2017)

6) Matthew Springer et.al. "Final Report: Experimental Evidence from the Project on Incentives in Teaching" (2012)

7) Marsh, Julie et.al. *A Big Apple for Educators: New York City's Experiment with Schoolwide Performance Bonuses: Final Evaluation Report* (2011)

8) Hanley Chiang et.al.

### 3) Modified Steps-and-Lanes Systems

#### District A

#### *District A Incentivizes Professional Development Instead of Educational Attainment*

With the assistance of the National Education Association, administrators at **District A** re-designed a traditional steps-and-lanes compensation model by replacing educational attainment salary lanes with lanes set by achieving specific professional development goals. This new model encourages teachers to spend more time on district-approved professional development.

#### Compensation Model Components at *District A*

##### Base Pay



- Administrators initially set new teacher salaries according to experience and educational attainment.
- Teachers receive annual step increases in salary similar to those of a traditional steps-and-lanes schedule.
- Teachers may advance a salary lane once every four years by completing 225 salary contact hours of professional development.

##### Stipends



- The district pays experienced teachers \$1,800 to develop and teach professional development courses in areas of high need and interest.
- Administrators also provide teachers with stipends for holding teacher leadership positions (e.g., teacher mentors, group coordinators, serving on governance committees).

Teachers in District A may advance one salary lane by completing 225 salary contact hours of professional development. Moving to the next salary lane provides teachers with a salary increase and greater future earning potential. This incentivizes teachers to complete professional development courses.

However, when teachers move to the next salary lane, the movement is not directly lateral. Instead, teachers move to the next highest salary in their new lane. As an example, a teacher on step eight of lane one, making \$49,400 would move to step two of lane two, not step eight of lane two. As a result, the system provides larger rewards to teachers who complete professional development earlier in their careers.

#### Example Salary Schedule at *District A*

	Professional Development Based Salary Lanes				
Steps	I	II	III	IV	V
1	\$ 42,000	\$ 48,900	\$ 58,700	\$ 68,500	\$ 78,400
2	\$ 42,000	\$ <b>50,300</b>	\$ 60,200	\$ 70,000	\$ 79,900
3	\$ 42,000	\$ 51,800	\$ 61,700	\$ 71,500	\$ 81,400
4	\$ 43,500	\$ 53,300	\$ 63,200	\$ 73,000	\$ 82,800
5	\$ 45,000	\$ 54,800	\$ 64,600	\$ 74,500	\$ 84,300
6	\$ 46,400	\$ 56,300	\$ 66,100	\$ 76,000	\$ 85,800
7	\$ 47,900	\$ 57,800	\$ 67,600	\$ 77,500	\$ 87,300
8	\$ <b>49,400</b>	\$ 59,300	\$ 69,100	\$ 78,900	\$ 88,800
9	\$ 50,900	\$ 60,700	\$ 70,600	\$ 80,400	\$ 90,300
10	\$ 52,400	\$ 62,200	\$ 72,100	\$ 81,900	\$ 91,800



## ***District B Ties Annual Raises to Teacher Evaluation Ratings***

Administrators at **District B** adopted a performance-based compensation system to comply with state laws. Teachers advance along a salary schedule based on annual evaluations.

### **Compensation Model Components at *District B***

#### **Base Pay**



- Teachers receive an initial salary placement on a 75-step salary schedule based on their previous years of service. The district also provides additional salary to employees with graduate degrees.
- Teachers who receive a rating of 'Very Effective' move two steps along the salary schedule. Those who receive a rating of 'Effective' move one step. Each step is equal to an increase of about \$300.
- If a teacher receives a rating of 'Needs Improvement' or 'Unsatisfactory', they do not receive a salary increase.

#### **Bonuses**



- The state department of education provides bonuses to teachers rated as 'Very Effective' who also earned high scores on college entrance examinations when in high school.

## ***Almost All Teachers Receive 'Effective' or 'Very Effective' Ratings at *District B****

Administrators at **District B** evaluate teachers annually to determine salary increases. Student growth accounts for 33 percent of the rating, and instructional practices account for 67 percent of the rating. District administrators calculate student growth using a statistical model. The instructional practices component evaluates a teacher's classroom strategies, lesson planning, and professionalism through observations and artifacts submitted by the teacher.

Teachers who receive an 'Effective' rating progress one step on the salary schedule, and teachers who receive a 'Very Effective' rating progress two steps. In 2016-17, only 0.6 percent of teachers in District B received a rating below 'Effective'. Most teachers (i.e., 54.6 percent) received an 'Effective' rating, and 44.8 percent of teachers in the District received a 'Very Effective' rating.

### **Salary Schedule at *District B***

Step	Salary
1	\$ 41,300
2	\$ 41,600
3	\$ 41,900
4	\$ 42,200
5	\$ 42,500
6	\$ 42,800
7	\$ 43,100
8	\$ 43,400
9	\$ 43,700
10	\$ 44,000
...	...
75	\$ 63,800

### **Many Teachers, Given the Option, Prefer the Traditional Salary Schedule at *District B***

Not all teachers in **District B** use the performance-based salary schedule. Teachers hired before 2014 had the option to remain on the previous, traditional steps-and-lanes salary schedule. At District B, contacts estimate that almost all teachers with this option (i.e., about 40 percent of all current teachers) chose to stay on the traditional salary schedule.

## 4) Multiple Incentive Systems

### District C

#### *District C Provides Multiple Incentives for Teachers in High-Poverty and Struggling Schools*

Teachers at **District C** receive a base salary determined by a traditional steps-and-lanes model. However, teachers can also receive bonuses and increases in base salary based on annual evaluations. The district targets bonuses and salary increases for teachers who work in schools with high-poverty levels and low academic performance.

#### **Compensation Model Components at District A**

##### **Base Pay**



- Teachers receive a base salary determined by a traditional steps-and-lanes salary schedule.
- Based on evaluations, teachers in high-poverty schools can receive service and education credits that advance them up the salary schedule. Teachers who demonstrate high performance over multiple years can receive service credits of up to five years and one education-level increase.

##### **Bonuses**



- All teachers rated as 'Very Effective' receive an annual bonus.
- 'Very Effective' teachers in high-poverty schools receive larger bonuses. These can be as much as \$25,000, depending on a school's priority level.

#### *District C Offers Bonuses to High Performing Teachers in High-Poverty Schools*

Teachers in District C receive annual effectiveness ratings based on multiple components. For most teachers, the evaluation assesses student learning (50 percent), application of key teaching standards (30 percent), student surveys (10 percent), and professionalism (10 percent). Based on these components, teachers receive one of the five following ratings: 'Ineffective', 'Minimally Effective', 'Developing', 'Effective', and 'Very Effective.'

Teachers who receive a 'Very Effective' rating qualify for an annual bonus. The size of the bonus depends on the school's poverty level and school performance. District administrators provide additional bonuses for teachers in the lowest performing schools. Additionally, because not all teachers can be evaluated using standardized tests (e.g., some elementary school teachers, teachers of elective courses), the district offers a dedicated bonus for teachers whose evaluations do include standardized testing data. District leaders provide this bonus to recognize the additional pressure that standardized testing places on teachers in the evaluation process.

#### **Bonus Criteria at District C for 'Very Effective' Teachers**

Contacts estimate that about one third of teachers receive a 'Very Effective' rating each year.

School Poverty Level	Bonus	Standardized Tests Used in Evaluation?	Priority School	Total Possible Bonus
High	\$10,000	+ \$5,000	+ \$10,000	\$25,000
Low	\$2,000	+ \$1,000	N/A	\$3,000

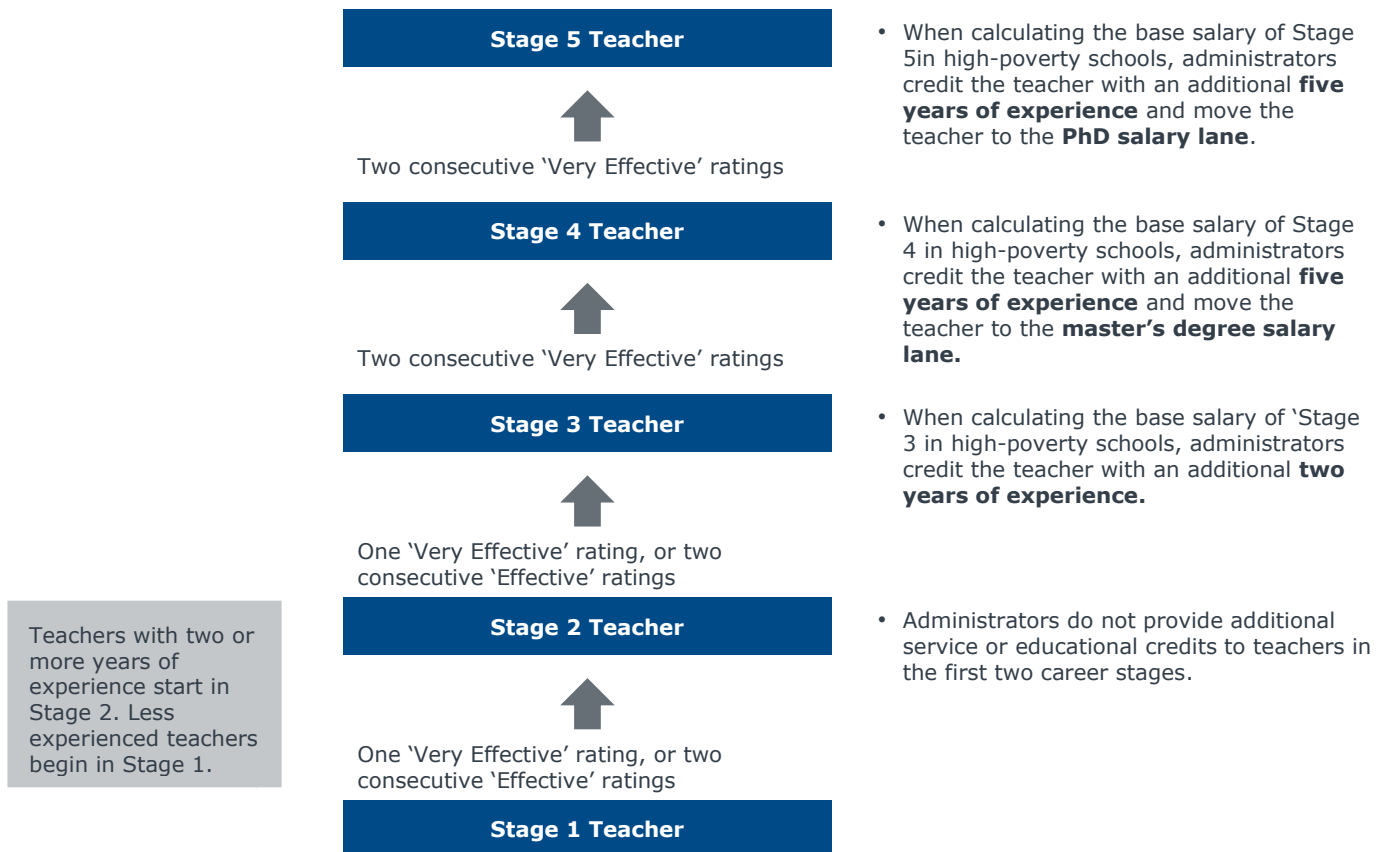
## Administrators Bolster Base Salaries for Consistently High-Performing Teachers in High-Poverty Schools

Teachers in **District C** who consistently receive high ratings on annual evaluations advance up a five-stage career ladder. Teachers in high-poverty schools who reach the third, fourth, or fifth stages receive additional base salary increases. Administrators calculate these salary increases by moving teachers further along the district's steps-and-lanes base salary schedule.

For example, a stage four teacher, with seven years of experience and a bachelor's degree who teaches in a high-poverty school, would earn a base salary equivalent to a teacher in a low-poverty school with a master's degree and 12 years of experience.

To move into the stage three category, teachers must receive either one 'Very Effective' rating or two consecutive 'Effective' ratings. To increase to the stage four and stage five categories, teachers must receive two consecutive 'Very Effective' ratings. Once a teacher reaches a certain career stage, they remain at that stage until meeting the criteria for advancement. A teacher's career stage cannot decrease.

### Teacher Career Stages and Base Salary Increases at *District C*



## The Compensation System at *District D* Provides Many Incentives for Teachers

Compared to other profiled systems, the compensation system at **District D** provides teachers with the greatest number of opportunities for performance-based compensation. The system provides three methods to increase base-pay levels, four different stipends for teachers working in designated schools or positions, and bonuses for teachers in high-performing schools.

### Teacher Salary Increases at *District D*

Element	Eligibility	Incentive Amount
<b>Professional Development</b>	Teachers who complete a professional development unit (PDU) receive this salary increase. PDUs represent 45 salary contact hours. Only one PDU increase can be applied each school year, but teachers may save additional completed PDUs for future years.	\$850* Increase
<b>Teacher Evaluation</b>	All teachers ranked higher than 'Ineffective' in annual performance evaluations receive this salary increase. Teachers ranked as 'Ineffective' do not receive this raise.	\$850**
<b>Advanced Degree or Licensure</b>	Teachers who complete an advanced degree or receive a National Board Certification receive this salary increase. Teachers may only apply for this salary increase once every three years.	\$3,900
* Teachers with more than 14 years of service receive this as a bonus, not a salary increase.		
** Teachers with more than 14 years of service receive a \$430 increase instead.		

Instead of providing percentage increases on a teacher's salary, administrators set most salary increases and bonuses as specific dollar amounts. This helps limit district expenses allocated to these incentives. The district calculates these incentives based on the base salary of a first-year teacher with a bachelor's degree. Depending on the incentive, the district calculates the value of each as a set percentage of that salary.

### Student Growth Represents 50 Percent of a Teacher's Evaluation in *District D*

Administrators at **District D** use measures of student growth, classroom observations, assessments of professionalism, and student surveys to evaluate most district teachers. Student growth accounts for 50 percent of a teacher's overall rating. Administrators measure student growth using multiple sources of evidence which includes student progress towards state academic standards (30 percent), performance on state standardized tests (10 percent), and a collective measure of school-wide academic performance (10 percent).

Classroom observations, student surveys, and professionalism account for the remaining 50 percent. Observations provide 30 percent of the total evaluation, with student surveys and professionalism representing 10 percent each.

## ***District D* Uses Bonuses to Keep High-Performing Teachers in Struggling Schools**

Teachers working in high-priority schools may also qualify for additional compensation based on teacher evaluations. District administrators designate schools with significant performance challenges and the most high-risk demographics as high-priority schools. With the exception of teachers rated as 'Not Meeting Expectations', all teachers in high-priority schools receive some monthly incentives. Similar to **District C**, these bonuses vary according to teacher evaluation ratings. In addition, teachers who return to these high-priority schools after a year of service receive an annual retention incentive.

### **Bonuses for Teachers in Highest Priority Schools by Performance Evaluation Rating at *District D***



#### **Distinguished**

- \$250 Monthly Incentive (up to \$3,000 per year)
- \$1,000 Annual Retention Incentive



#### **Effective**

- \$187.50 Monthly Incentive (up to \$2,500 per year)
- \$750 Annual Retention Incentive



#### **Approaching Expectations**

- \$125 Monthly Incentive (up to \$1,500 per year)
- \$500 Annual Retention Incentive



#### **Not Meeting Expectations**

No bonuses

## **Administrators Reward Teachers in Top-Performing and Rapidly Improving Schools with Bonuses**

District leaders in **District D** also award bonuses to teachers in top-performing schools and schools that have exhibited large improvements in academic performance over the past two years. All teachers in these schools receive the bonus regardless of individual evaluations and performance.

District leaders determine the dollar amount of bonuses for teachers in top-performing and improving schools each year based upon the total number of eligible teachers and the total budgeted funds for the bonus. In 2015, the district provided nearly \$1.4 million for these bonuses.

## Stipends Incentivize Teachers to Work in High-Poverty Schools and in High-Need Assignments

To encourage teachers to work in areas or assignments of need, **District D** also offers stipends to teachers who work in hard-to-staff positions, high-poverty schools, and low-performing schools. The district also offers stipends to teachers who serve in designated leadership positions across the district.

### Teacher Stipends at *District D*

Element	Eligibility	Annual Incentive Amount
<b>Hard-to-Serve Schools</b>	<b>District D</b> designates schools with the highest levels of poverty as hard to serve.	\$2,800
<b>Hard-to-Staff Assignments</b>	District administrators identify roles that experience high employee turnover or recruitment difficulties (e.g., special education, secondary math).	\$2,800
<b>High-Poverty School</b>	Teachers who work in Title-I schools receive this stipend.	\$1,500
<b>Leadership Incentives</b>	Teachers who serve in formal teacher leadership roles receive stipends for their service. These teachers may also receive teaching load reductions to accommodate coaching and leadership responsibilities.	\$800 - \$5,000

## 5) Career Ladder Systems

### District E

#### Career Ladders Help High-Performing Teachers at *District E* Rapidly Attain High Salaries

**District E** compensates teachers according to a nine-stage teaching career ladder. Teachers progress up (and down) the career ladder based on annual performance evaluations.

Administrators review all teachers each year. The reviews assess teachers based on the application of teaching standards (50 percent), student achievement on assessments (35 percent), and student survey results (15 percent). Administrators then assign evaluation ratings based upon a targeted distribution. As a result, every year, three percent of teachers will receive an unsatisfactory rating, and two percent will receive an exemplary rating.

Administrators divide the 'Progressing' and 'Proficient' categories into five separate ratings.

#### Target Evaluation Rating Distribution at *District E*

Unsatisfactory	Progressing		Proficient			Exemplary
	I	II	I	II	III	
3%	12%	25%	40%	12%	6%	2%

#### Career Ladders Allow Teachers in *District E* to Earn High Salaries More Quickly

Administrators in the district place newly hired teachers on the career ladder based on their existing teaching experience. After initial placement, teachers may move up or down the career ladder based on their average evaluation rating for the current and previous year (if applicable). In this system, new teachers with high ratings can earn salaries of up to \$90,000 in less than a decade.

#### Teaching Career Ladder and Compensation at *District E*

<b>Master</b>		\$90,000
<b>Exemplary</b>	II	\$82,000
	I	\$74,000
<b>Proficient</b>	III	\$65,000
	II	\$60,000
	I	\$56,000
<b>Progressing</b>	II	\$53,000
	I	\$51,000
<b>Novice</b>		\$50,000

#### Advancing One Level

Teachers may advance one level up the career ladder if their average evaluation rating for the current and previous year (if applicable) is greater than the teacher's current position. Here, the teacher will advance to Proficient II with an average rating of Proficient II or higher.

#### Decreasing One Level

A teacher will fall one level on the career ladder if they receive three consecutive ratings below their current level.

To advance above the 'Proficient I' stage, teachers must also participate in a separate review that evaluates leadership, professional development, and service.

## Administrators at *District E* Offer Stipends to Teachers at High-Priority Schools

To help recruit and retain effective teachers in struggling schools, **District E** offers signing bonuses and stipends. The district offers \$2,000 signing bonuses to all teachers who accept a new position or renew a contract at designated schools with low performance. In addition to this signing bonus, administrators also pay teachers in these schools a stipend based on each teacher's career stage. New teachers and teachers in the 'Progressing' stages receive stipends of \$6,000. Teachers in the 'Proficient I' stage receive a stipend of \$8,000, and teachers at the 'Proficient II' stage or higher receive \$10,000. The district pays teachers in two lump sums, with the first half of the stipends paid in the fall and the second half of the stipend paid in the spring.

### Bonuses and Stipends for Teachers in Low-Performing Schools

Career Stage	Signing Incentive	Stipend
Proficient II and Above	\$2,000	\$10,000
Proficient I	\$2,000	\$8,000
Progressing (I and II)	\$2,000	\$6,000
New Teachers to the District	\$2,000	\$6,000

## District F

### *District F* Pays New Teachers Higher Base Salaries for Recruitment Purposes

Due to financial constraints, **District F** was unable to compete with teacher salaries offered by neighboring districts and struggled to recruit new teachers. To better recruit new teachers, administrators redesigned the district's compensation system. Instead of paying teachers primarily according to seniority, the district's new system provides new teachers with a higher starting salary that increases more slowly over time. The district awards performance-based bonuses based on the results of evaluations held once every three years. Teachers in the top four levels (out of six) receive bonuses.

### Setting Base Pay at *District F*

1. New teachers receive a minimum starting salary. In 2016-17, this minimum base salary was \$42,000.
2. Teachers with a master's degree receive an extra \$2,000 of base salary.
  - a. The district also offers an additional base salary increase for teachers with certificates or licensure beyond a master's degree (\$2,000 prorated based on 33 credits for a standard master's degree).
3. Teachers receive a \$300 base salary raise every three years.
4. Administrators also provide an extra \$2,000 of base salary for teachers new to the district with five or more years of experience.



## Three-Year Evaluations Qualify Teachers for Bonuses

**District F** uses six teacher effectiveness standards developed by an external educational consulting company. The results of these evaluations determine a teacher's placement into categories for annual bonuses and moderate salary increases. Teachers who are unsatisfied with their rating may request to be re-evaluated the next year.

### Teacher Evaluation Categories and Annual Bonuses

Career Level	Evaluation Criteria	Annual Bonus
<b>Expert Educator A</b>	Distinguished rating in three or more standards and holds a formal leadership role.	\$4,000 – \$6,000
<b>Expert Educator B</b>	Distinguished rating in three or more standards.	\$2,000 – \$4,000
<b>Career Educator A</b>	At least a proficient rating in all standards and distinguished rating in two.	\$1,000 - \$3,000
<b>Career Educator B</b>	At least a proficient rating in all standards and distinguished rating in one.	\$0 - \$2,000
<b>Developing Educator</b>	Less than proficient in one or more standards.	No Bonus
<b>New Educator</b>	New to the district.	No Bonus

## 6) System Development and Operations

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### Communication and Governance

#### Include Stakeholders in Discussions on New Compensation Systems to Build Support

Because performance-based compensation systems are relatively uncommon, most teachers and district stakeholders will be unfamiliar with these compensation models. Without a clear understanding of the reasons for changing compensation systems, and how the new system could affect them, teachers may resist efforts to change the system. As a result, developing a performance-based compensation system can be challenging.

At **District F** and **District B**, administrators convened committees of stakeholders to develop a new compensation system. The committee at District F studied more than thirty other compensation systems and solicited feedback from district employees to develop a plan for the district. This process took eight months to complete.

To comply with legal changes, leaders and stakeholders at District B completely redesigned the district's compensation system. Over the course of three summers, the district organized teachers, union representatives, outside consultants, professional development staff, principals, and administrators into an advisory committee to help develop a new evaluation and compensation model for the district. Contacts explain that the wide range of stakeholders on the committee facilitated buy-in for the new system.



#### Applying Performance-Based Compensation to Principals First Helps Build Support

One year before implementing compensation system changes for teachers, administrators at **District E** applied the new system to school principals. When the district expanded the new compensation system to teachers a year later, principals could answer questions and address teacher concerns from first-hand experience. Additionally, teachers may be more accepting of performance-based compensation systems when district leaders also apply these systems to school-level leaders.

#### Publish Guides, Overviews, and Explanations of New Compensation Systems

Contacts at **District D** note that many teachers are risk-averse when it comes to their compensation. At **District B**, teachers hired before 2014 had the option to remain on the old salary schedule or switch to the newer system. While the newer system provides the opportunity for higher salaries, almost all teachers with the option chose to remain on the older, familiar salary schedule.

To help explain how new compensation systems will affect a teacher's compensation, human resources department websites at **District C**, **District D**, and **District E** provide extensive resources. The Human Resources Webpage at District D features multiple videos to promote and explain the components of the system to stakeholders. Flowcharts and detailed guides accompany these videos to help teachers (or prospective teachers) grasp how each element of the compensation system might affect them. To increase understanding and awareness prior to launching the new compensation system, administrators at District E launched a year-

long communications campaign. District leaders worked with principals to inform teachers about the upcoming changes and describe the details of the new system.

Communication plays a key role in ensuring that performance-based compensation systems help advance district goals. If teachers do not know or understand the incentives and structures of a compensation system, these incentives will fail to change teacher behaviors or student outcomes.

## **Regularly Monitor and Adjust the Compensation System to Meet Changing District Needs**

Administrators should continue to communicate with stakeholders after the implementation of a new system. District leaders should establish formal, continued communication channels to solicit feedback from stakeholders and answer questions about the system. At **District E**, administrators designate ‘compensation ambassadors’ in each school to help answer teacher questions and communicate concerns about the system back to central administrators. These individuals help administrators evaluate the compensation system and more effectively communicate with stakeholders.

District administrators and officials from the local teachers union at **District D** appoint officers to a 12-member board that oversees the district’s compensation system. This team evaluates the compensation system, helps design changes to the compensation system, and oversees the implementation of these changes.

## **Teacher Evaluation Systems**

### **Redesign Teacher Evaluation Systems with Clear, Robust Performance Definitions**

All but one profiled district use evaluations to determine teacher compensation. When these districts implemented performance-based compensation systems, administrators also overhauled the systems and processes used in teacher evaluations. Tying teacher compensation to evaluation results increases the stakes for teachers and may increase scrutiny of the evaluations and evaluators. Administrators should redesign teacher evaluation systems with well-defined standards of performance and robust evaluation procedures.

**District B** developed a new teacher evaluation system as part of their work on a performance-based compensation system. The new system provided robust, clear definitions and rubrics for supervisors to use when conducting teacher evaluations.

Administrators worked with teachers, union representatives, and other stakeholders to develop a new teacher evaluation system as a committee. The group established 23 essential performance criteria divided across four domains and developed detailed rubrics to guide supervisors when rating a teacher’s performance on those criteria.

## Sample Performance Rubric from *District B*

### Standard: Using Assessment in Instruction

Unsatisfactory	Needs Improvement	Effective	Highly Effective
<b><u>Little or no evidence exists</u></b> that the teacher uses assessment for ongoing progress monitoring.	<b><u>Partial evidence exists</u></b> that the teacher uses assessment for ongoing progress monitoring.	<b><u>Adequate evidence exists</u></b> that the teacher uses assessment for ongoing progress monitoring.	<b><u>Significant and varied evidence exists</u></b> that the teacher uses assessment for ongoing progress monitoring.
Pacing and progression of rigor do not support student learning due to lack of progress monitoring of learning goals.	Pacing and progression of rigor reflect inconsistent use of progress monitoring of learning goals as evidenced by limited checks for understanding, feedback, and summarization.	Pacing and progression of rigor reflect consistent use of progress monitoring of learning goals as evidenced by one or more of the following: checks for understanding, appropriate feedback, summarization, or use of scoring rubrics to establish student expectations.	Pacing and progression of rigor reflect pervasive use of progress monitoring which extends the defined learning goals as evidenced by checks for understanding, high-quality feedback, summarization, and use of scoring rubrics to establish high student expectations.
<b>Possible Evidence May Include Sources Such As:</b> Progress Monitoring, Use of Formative Assessments, Summative Assessments, Performance-Based Assessments, Accurate and Updated Documentation of Student Data, Student Portfolios, Scoring Rubrics, Use of Gradual Release Model, Data Chat Records			

## Complex Teacher Evaluation Systems Require More Staff

Operating performance-based compensation systems requires greater investments in staff and resources. A large portion of these additional investments supports teacher evaluation. At **District C** and **District D**, administrators employ more staff to manage teacher evaluation compared with other elements of the performance-based compensation system. District C employs eight staff to manage the district's evaluation system. This team analyzes student performance data, conducts student surveys, coordinates evaluations, and operates a helpline. A separate team designs rubrics, trains evaluators, and calibrates evaluation practices across the district.

## Financial Sustainability

### Model the Financial Impacts of New Compensation Systems before Implementation

Forecasting future salary expenditures is more difficult with non-traditional compensation models than for traditional steps-and-lanes salary schedules. As compensation models increase in complexity, administrators should carefully evaluate incentive structures to ensure that performance-based incentives and salary increases remain financially sustainable. Staff at each profiled district use financial models to project potential expenditures associated with performance-based compensation systems. These models help administrators understand short- and long-term financial obligations associated with incentive structures.

Administrators at **District A** limited teachers to a maximum of one lane change every four years to keep the district's compensation system solvent. When the district first

implemented the system, teachers could advance salary lanes as frequently as once a year with the required amount of professional development credits. This allowed some teachers to earn salary increases of up to 20 percent every year. This resulted in the district's salary expenditure rising far faster than administrators had expected. By limiting the frequency of lane changes to once every four years, administrators were able to keep salary increases at sustainable levels.

## Incorporate Financial Safeguards into Non-Traditional Compensation Systems

To ensure financial sustainability, most profiled districts incorporate safeguards to limit potential obligations under each compensation system. These limitations help administrators forecast salary expenditures and reduce financial risk for the district.

### Financial Safeguards Used at Profiled Districts

#### Frequency Limitations



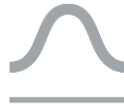
Many profiled districts limit how frequently teachers may receive certain incentives. At **District A**, teachers may advance a salary lane only once every four years. Teachers in **District D** may only receive salary increases for earning an advanced degree or National Board Certification once every three years.

#### Usage Limitations



Districts may restrict how many times teachers can receive a certain benefit. At **District D**, only teachers with 14 or fewer years of service receive salary increases for completing professional development units. Teachers with more than 14 years of service instead receive one-time bonuses for completing these units.

#### Defined Evaluation Distributions



**District E** assigns teacher ratings according to a target distribution. This distribution limits the number of teachers who receive high ratings and move into higher salary categories.

#### Variable Bonuses



District leaders at **District F** and **District D** do not provide a specified dollar-amount for some bonuses. Instead, the district defines a total amount of funds for the bonuses. The district divides this money among all eligible recipients.

## 7) Research Methodology

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### Project Challenge

Leadership at a member institution approached the Forum with the following questions:

- How do contact districts allocate performance-based compensation to recipients?
  - What is the typical size of these payouts?
- At contact districts, who is eligible for performance-based compensation?
  - Do administrators allocate performance awards to individuals or larger groups?
  - Do contact districts use different structures for different groups of teachers or employees?
- What metrics do administrators at contact districts use to determine payouts under performance-based compensation systems?
  - Why did administrators at contact districts select these metrics?
- Why did administrators at contact districts adopt performance-based compensation systems?
- How do these motivations influence the structure of these compensation systems at contact districts?
- How did administrators at contact districts secure buy-in from teachers, staff, the public, and other stakeholders to adopt a performance-based compensation system?
- How do performance-based compensation systems impact budgets at contact districts?
- Are performance-based compensation systems financially sustainable for contact districts?
- What challenges did administrators at contact districts face when implementing performance-based compensation systems?
- How did administrators at contact districts address and overcome these challenges?
- How do contact districts help teachers who receive low-performance scores improve?
- How have performance-based compensation systems impacted schools in contact districts?

## Project Sources

The Forum consulted the following sources for this report:

- EAB's internal and online research libraries ([eab.com](http://eab.com))
- The Chronicle of Higher Education (<http://chronicle.com>)
- National Center for Education Statistics (NCES) (<http://nces.ed.gov/>)
- Marsh, Julie et.al. 2011. A Big Apple for Educators: New York City's Experiment with Schoolwide Performance Bonuses: Final Evaluation Report. Santa Monica CA: RAND Corporation.
- Springer, Matthew et. al. 2012. Final Report: Experimental Evidence from the Project on Incentives in Teaching. Nashville TN: Vanderbilt University.
- Taie, S., and Goldring, R. 2018. "Characteristics of Public Elementary and Secondary School Teachers in the United States: Results from the 2015-16 National Teacher and Principal Survey First Look (NCES 2017-072rev)." National Center for Education Statistics. Accessed September 7, 2018. <https://nces.ed.gov/pubs2017/2017072rev.pdf>.
- U.S. Department of Education. 2015. "Schools and Staffing Survey (SASS), "Public School Teacher Data File," 2011-12." National Center for Education Statistics. Accessed September 9, 2018. [https://nces.ed.gov/surveys/sass/tables/sass1112\\_2013314\\_t1s\\_006.asp](https://nces.ed.gov/surveys/sass/tables/sass1112_2013314_t1s_006.asp).

## Research Parameters

The Forum interviewed human resources administrators and compensation managers at the following districts.

### A Guide to Institutions Profiled in this Brief

District	Region	Students	System Category
District A	North	7,000	Modified Steps-and-Lanes
District B	East	100,000	
District C	East	50,000	Multiple Incentives
District D	West	90,00	
District E	Central	150,000	Career Ladder
District F	Central	10,00	