Institutionalizing Performance-Based Compensation by Revising the Salary Schedule: Introductory Overview and Design Principles for Revising the Single-Salary Schedule

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March 2012
The Teacher Incentive Fund (TIF) would like to thank the following people for their time in reviewing drafts of this resource: Jackson Miller, Westat; Carolyn Lampila, U.S. Department of Education.

The work described in this paper was supported by the U.S. Department of Education through the Teacher Incentive Fund. The opinions expressed are those of the authors and do not necessarily reflect the view of the U.S. Department of Education or the institutional partners. Comments and suggestions are welcome.

In 2010, the U.S. Department of Education awarded the Teacher Incentive Fund contract to Westat—in partnership with Learning Point Associates, an affiliate of American Institutes for Research; Synergy Enterprises, Inc.; J. Koppich and Associates; and the University of Wisconsin.

The primary purpose of the Teacher Incentive Fund (TIF) is to support TIF grantees in their implementation efforts through provision of sustained technical assistance and development and dissemination of timely resources.

This work was originally produced in whole or in part with funds from the U.S. Department of Education under contract number ED-ESE-10-0057. The content does not necessarily reflect the position or policy of TIF or the Department of Education, nor does mention or visual representation of trade names, commercial products or organizations imply endorsement by TIF or the federal government.

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Contents

1 Introduction to Papers on Developing New Pay Schedules
2 Basic Principles for Designing Salary Structures That Incorporate Performance Pay
3 Two Alternative Teacher Pay Schedules
4 The Starting Point
5 The Single Salary Schedule
5 Alternative 1: A Moderate Makeover
9 Alternative 2: An Extreme Makeover
9 Performance requirements for advancement
12 Pay rates at each level
14 Transitioning to a New Salary Schedule
14 Stakeholder engagement and communication
14 Transitioning current educators
15 Cost estimation
16 Finding Funds for Performance Pay Without Major Schedule Changes
16 A Real-World Example: Denver’s ProComp
17 Table 6: 2011-12 ProComp Payment Opportunities
20 Conclusion
21 References
Institutionalizing Performance-Based Compensation by Revising the Salary Schedule: Introductory Overview and Design Principles for Revising the Single-Salary Schedule

Introduction to Papers on Developing New Pay Schedules

As federal and state K–12 education policy has shifted focus from educational inputs to outcomes, there has been increasing interest in changing educator compensation systems to support efforts to improve student achievement. Federal programs such as the Teacher Incentive Fund, Race to the Top, and Elementary and Secondary Education Act (ESEA) flexibility waivers provide incentives for states and districts to implement various types of performance-based pay for educators. However, to date, most states and districts that use performance-based compensation have not made many changes to traditional base salary structures. Instead, the typical performance-based educator compensation system uses annual performance bonuses that do not affect educators’ base salaries (National Council on Teacher Quality, 2011).

The traditional “steps-and-lanes” teacher salary schedule, also known as the single-salary schedule, compensates teachers based on years of experience and educational attainment (Hanushek, 2007).¹ Districts and states adopted the single salary schedule to promote equitable pay by eliminating subjective judgments about educators, thereby limiting the possibility for arbitrary and discriminatory pay decisions (Odden & Kelley, 2002). Unfortunately, years of experience are only associated with student performance in a teacher’s early years, and degrees and credits attained by educators are not associated with student performance in most grades and subject areas (King Rice, 2010; Prince, Koppich, Azar, Bhatt, & Witham, 2011a). As a result, many states and districts are implementing or considering performance-based compensation.

Approaches to performance pay that do not modify the base salary schedule have some fundamental limitations. First, because base pay ties up most of the funding available for compensation, many jurisdictions can afford only relatively small bonuses. Second, states and districts may have trouble maintaining funding for performance bonuses (Fleming, 2011). In difficult economic times, districts or states that are struggling to fund base pay and benefits may see bonuses as expendable. Third, in any organization, the pay schedule communicates organizational priorities and sets expectations for employees. Because the single salary schedule determines pay using factors that are largely unrelated to performance, it sends the message that seniority and educational attainment are more important than educator effectiveness.

In addition, the traditional schedule does not account for subject area differences in the supply of and demand for educators. Some studies suggest that boosting pay in hard-to-staff areas would help districts recruit and retain teachers in traditionally hard-to-staff subject areas like science, engineering, and mathematics (Prince, Koppich, Azar, Bhatt, &

¹For an explanation of the traditional single salary schedule, see The Starting Point section below and the accompanying box, The Single Salary Schedule.
Institutionalizing Performance-Based Compensation by Revising the Salary Schedule

2009). Districts that use a traditional single salary schedule reward teacher characteristics that have limited impact on student learning and ignore labor market factors that affect the availability of qualified and effective teachers.

These limitations suggest that states and districts may want to consider restructuring educators’ base pay rather than simply adding performance bonuses on top of the traditional single salary schedule. Restructuring schedules to decrease the rewards for seniority and educational attainment can free up funds for base pay increases based on performance and for larger performance bonuses. In addition, salary schedules that integrate performance pay into educators’ base salary could be more resistant to temporary revenue shortfalls.

Basic Principles for Designing Salary Structures That Incorporate Performance Pay

As mentioned above, most performance-pay systems in education currently use bonuses—one-time lump sum payments that vary from year to year—to reward performance, while leaving base pay to be determined by the traditional single salary schedule. However, in other sectors, pay structures place more emphasis on individual performance in setting base pay and reflect differences in supply and demand for workers with different qualifications. Though many organizations use performance bonuses, they also use performance to determine base pay increases, so that base pay increases more quickly or slowly depending on performance.

Over the years, human resource management specialists in other sectors have developed a set of principles that guide pay system design. These principles might help states and districts as they think about how to overhaul their educator salary schedules:

1. Use bonuses to reward short-term performance. Since bonuses do not build employees’ base pay, bonuses do not reward employees year after year for short-term results that may reflect temporary factors or measurement error.

2. Use base pay increases to reward long-term performance and increases in productive capacity or skills that improve long-term performance.3

3. Most employees should progress to a base pay rate roughly equal to the average pay for the job in the external labor market. Since new hires

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2 More information on pay system design principles can be found in: Lazear, 1998, chapter 11; Milkovich, Newman, & Milkovich, 2007; Risher, 2009.

3 Research suggests that performance-based increases to base salaries are more likely than bonuses to reward consistently highest performers because employees who perform more highly on average accumulate larger raises over time. Schwab and Olson (1990) found that the relationship between performance and pay would be stronger if organizations reward good performance through base salary increases rather than bonuses. The reason is that employees who consistently perform well do not lose base pay if evaluations inaccurately measure one year of performance. When performance-based compensation systems use base salary increases rather than bonuses, the earnings of consistently high performers differ more from low-performing counterparts over time.
are typically less productive than the average employee, the entry level salary rate should be lower than the market average. As the employee gains skill and experience, she or he should move toward average productivity, and base pay should move toward market average.

4. Organizations could use experience as a basis for pay progression in the early years, when experience by itself contributes to improving productivity or when measuring productivity is difficult or expensive. If the value of each successive year of experience declines, increases for experience should be smaller each year.

5. Base pay progression determined by experience should end at the point where experience stops contributing to productivity.

6. Performance should determine pay progression beyond the market average for the job. Higher than average performance should result in higher than average pay. An employee’s pay should exceed the market average only when that employee is an above-average performer, or if the cost of replacing the employee is high.

7. Pay progression ends at some point. The maximum pay rate represents the most the organization is willing to pay for the job, no matter how well the employee performs.

8. Base pay range minimums and maximums should be comparable to those of labor market competitors. In addition, they should account for the organization’s ability to pay as well as any factors that make the organization more or less attractive than its competitors. These principles are guidelines, not absolute rules. They represent an alternative to the assumptions that the traditional salary schedule embodies and, therefore, may be useful to consider when revising educator pay schedules to make base pay more sensitive to performance. However, designers may have to balance the desire for change against other considerations such as teacher resistance or stakeholder preferences. In addition, designers often have to start from an existing schedule rather than a blank slate. The next section uses two example performance-based salary schedules to illustrate how districts and states can use the principles above to design a new base salary schedule.

**Two Alternative Teacher Pay Schedules**

This section describes two example salary schedules that use the principles presented in the previous section. The first example retains substantial continuity with the traditional salary schedule, but increases the role of performance in determining base pay and sets money aside for performance bonuses. The second example, a career ladder approach, represents a more complete departure from the traditional single salary schedule.

This paper is intended to illustrate the process by which a state or district might redesign its salary schedule. It is important to note that, although we believe the design logic in the following examples would not raise long-term costs beyond the cost of the traditional schedule in Table 1, we did not base the two examples of redesigned salary schedules on detailed cost estimates. As each district or state will have different distributions of teachers under both their existing and new schedules, cost implications of any salary schedule vary between districts and states.Districts or states that are redesigning their salary schedules should conduct detailed cost analyses before they finalize dollar amounts of any salary schedule design.
The Starting Point
Since most states and districts already use some version of the traditional salary schedule, they will likely not start from scratch. To better illustrate the process of designing a new schedule, each of the two examples in this section uses a sample traditional salary schedule as a starting point. In each example, this paper supposes that designers started from the pay schedule shown in Table 1. This sample schedule is a modified version of Washington state’s allocation formula for teachers (State of Washington, 2011). Its structure, if not the actual pay rates, is fairly representative of current practice.

1 Districts in Washington supplement the state allocation with additional pay.

<table>
<thead>
<tr>
<th>Table 1: Hypothetical Original Pay Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Years of Service</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>16 or More</td>
</tr>
</tbody>
</table>
The Single Salary Schedule

A teacher’s pay under the traditional single salary schedule corresponds to “steps” and “lanes.” In Table 1, the rows are the steps and the columns are the lanes. Educators move up steps based on their years of experience and between lanes based on their amount of postgraduate course credits. For example, a teacher with no postgraduate coursework would be in the BA + 0 lane. A teacher with a master’s degree but no other postgraduate coursework would be in the MA + 0 lane. Within each lane, the teacher earns the salary that corresponds to the step he/she has reached. For example, a teacher with three years of prior experience earns $34,720 if he or she falls in the BA + 0 lane or $41,363 if that teacher falls into the MA + 0 lane.

Alternative I: A Moderate Makeover

This example demonstrates how a district or state might provide base pay increases for performance while retaining some aspects of the traditional salary schedule. It includes pay increases based on experience in the first several years and a $3,000 per year benefit for teachers who hold a master’s degree (MA). However, it also uses performance to determine base pay after the first six years and offers short-term performance bonuses. Thus, while this model does not represent a complete departure from the single-salary schedule, it includes substantial performance incentives beginning in a teacher’s seventh year. It frees up money for performance-based salary increases and bonuses by eliminating experience-based payouts for teachers with seven or more years of experience.

This example starts from the schedule shown in Table 1 and makes incremental changes. The first step is to streamline the lanes. Though evidence suggests that a teacher’s educational attainment does not contribute to student learning in most cases (Prince et al., 2011a), a state or district might want to maintain some of the traditional pay differential for an MA in order to make the design more palatable to some stakeholders. This could set the stage for later reform that only rewards MA programs that add value. This example has only two lanes, one for bachelor’s degree (BA) earners and one for teachers who hold a MA. Table 2 illustrates the features of the salary schedule described in the next several paragraphs.

The next step is to determine the entry-level salary. At this stage, districts and states should consider labor market factors:

- Is the current starting salary competitive with surrounding districts or states? If not, the district or state may consider raising it.
- Are there enough applicants for most vacancies? The human resources department is a good source of information about the recruiting experience. If there are too few applicants to be selective, the district or state may consider raising the starting salary.
- Does the district or state attract quality applicants? Principals and others involved in the hiring process may be a good source of information about applicant quality. If applicants are not of the desired quality, a district or state may consider addressing this by increasing the starting salary.

This example assumes that the district or state wants to attract better-than-average educators. In addition, it assumes that some educators will be less attracted to the district or state because of its use of performance pay. As a result, this example raises the starting salary to $34,500 (compared to the starting salary of $33,401 in Table 1).
Next, this example considers how to reward educators for earning an MA. At this point, districts or states must determine how much an MA is worth. The single salary schedule in Table 1 provides for a pay boost averaging about $6,700 per year between the BA + 0 and MA + 0 lanes. This may be due to the large number of lanes between BA + 0 and MA + 0, each of which has a higher rate than the lane to the left. In this example, the district or state concludes that getting an MA will be worth $3,000, which sets the minimum salary for an MA earner at $37,500. At each step, this example pays teachers in the MA lane $3,000 more than teachers in the BA lane.

Attention now turns to experience-based progression for educators in the early stages of their career. This example uses two considerations to determine the length of time for which teachers should earn raises based on experience. First, this example accepts the principle that relatively automatic pay progression based on experience should not enable teachers to earn more than the market average (principle #6 above). If the market average in this area is about $48,000, automatic progression based on experience would go no higher. This equates to about the 10-year step for the MA + 0 lane on the existing schedule shown in Table 1. Second, employees should only earn pay increases based on experience during early years, when experience contributes most to performance, and performance is difficult to measure (principle #4 above). Research on the relationship between teacher experience and student performance suggests that the experience-performance relationship is strongest during the first two or three years. Most studies find a strong relationship between experience and student performance during a teacher’s first five years, and some find effects that persist through the ninth year or longer (Boyd, Lankford, Loeb, Rockoff, & Wyckoff, 2007; Clotfelter, Ladd, & Vigdor, 2007; Kane, Rockoff, & Staiger, 2006; King Rice, 2010; Prince et al., 2011a).

Together, these two considerations suggest that experience-based progression should top out after five to ten years. In this example, the designers choose to provide experience-based progression for the first six years. After the seventh year of experience, teachers must earn pay increases based on performance.

This example determines experience-based salary increases using the principle that increases based on experience should be higher early in the career. As mentioned above, the experience-performance curve rises steeply in the early years but flattens out over time. Larger increases early in the schedule will build base salary faster and will likely benefit new teacher retention. Given widespread concerns about new teacher turnover, districts or states may deem such pay increases to be a worthwhile feature of a redesigned schedule (Boe, Cook, & Sunderland, 2008).

Note that in the old schedule shown in Table 1, the pay increases in the early years are actually smaller than those in the later years, in both dollar and percent terms. These small increases do not track the relationship between experience and effectiveness and are unlikely to contribute to new teacher retention.

Table 2 below illustrates the aspects of the salary schedule described above. The early step increases are larger than the later ones. In the BA lane, the first increase is 6 percent and the last is 3 percent. As noted above, this example sets MA steps by adding $3,000 to the corresponding BA step. In contrast to the schedule in Table 1, teachers earn larger experience-based increases in the early years, consistent with research that suggests that experience contributes more to effectiveness during the first few years.
Institutionalizing Performance-Based Compensation by Revising the Salary Schedule

Table 2: Experience-Based Pay Progression in Alternative 1 Pay Schedule

<table>
<thead>
<tr>
<th>Years</th>
<th>BA</th>
<th>MA</th>
<th>Increase</th>
<th>Percent increase (BA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>34,500</td>
<td>37,500</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1</td>
<td>36,581</td>
<td>39,581</td>
<td>2,081</td>
<td>6.0</td>
</tr>
<tr>
<td>2</td>
<td>38,581</td>
<td>41,581</td>
<td>2,000</td>
<td>5.5</td>
</tr>
<tr>
<td>3</td>
<td>40,510</td>
<td>43,510</td>
<td>1,929</td>
<td>5.0</td>
</tr>
<tr>
<td>4</td>
<td>42,333</td>
<td>45,333</td>
<td>1,823</td>
<td>4.5</td>
</tr>
<tr>
<td>5</td>
<td>44,026</td>
<td>47,026</td>
<td>1,693</td>
<td>4.0</td>
</tr>
<tr>
<td>6</td>
<td>45,347</td>
<td>48,347</td>
<td>1,321</td>
<td>3.0</td>
</tr>
<tr>
<td>7+</td>
<td></td>
<td></td>
<td>Further increases based on performance (see Table 3).</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>55,500</td>
<td>58,500</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The next decision point is setting the base pay maximum. Note that the highest rate of the single salary schedule in Table 1, the MA+90/PhD maximum of $62,955, was probably not attainable by the majority of teachers. This example selects the top rate based on what teachers routinely obtain under the current schedule. Districts or states should also consider reviewing competitors’ pay range maxima. For this hypothetical example, we will assume that most current teachers reach either the BA + 90 maximum or the MA + 45 maximum. If the maxima for comparable positions in the labor market are close to these figures, the district or state could set a tentative maximum for the new schedule of $57,000 for the BA lane and $60,000 for the MA lane (the BA lane maximum plus $3,000).

Since one aim of this example is to make room for performance pay without increasing costs, it reduces base pay to free up funds to pay for performance bonuses. In this example, we assume that the district or state will offer performance bonuses that average $3,000 and that approximately one-half of teachers will earn this bonus. Therefore, to maintain cost neutrality, the designers need to find $1,500 per teacher. This example accomplishes this by reducing the maximum base pay to $55,500 for the BA lane and $58,500 for the MA lane. As noted above, districts or states would need to conduct detailed cost estimates to determine more precisely how much base salary reduction would be sufficient to fund bonuses.

At this stage, the example district or state has determined the salary rate at which performance pay begins ($45,347 or $48,347 after the sixth year of experience) and the maximum salary ($55,500 or $58,500). This leaves $10,153 that educators can earn based on performance after they reach the top experience-based step. Now, designers must decide how performance will determine pay increases. Many options exist, but for this example, we assume that the state or district’s performance evaluation system uses observations to assess instructional practice and measures student outcomes using classroom value-added data. Each factor has equal weight.

Because research has shown that one year of classroom value-added is not a stable measure of teacher productivity (Ballou, 2005; Koedel & Betts, 2011; McCaffrey, Sass, Lockwood, & Mihaly, 2009), districts or states should use multiple years of student outcomes data to determine permanent pay increases. Here we assume that the district or state will use three years of value-added estimates. This example places teachers into percentiles based on their three-year rolling value-added scores. It divides teachers into four percentile groups: below 30th percentile, between 30th and 60th percentile, between 60th and 80th percentile, and above 80th percentile.

The district’s or state’s teacher evaluation system is the basis for instructional performance. In the example, we assume that teachers receive one of four ratings: distinguished, proficient, basic, or unsatisfactory.
As Table 3 below shows, the intersection of the instructional performance level and value-added category determines each individual teacher’s pay increase. For example, a teacher who is rated proficient and has a value-added score between the 30th and 60th percentile would earn a $1,015 raise.

<table>
<thead>
<tr>
<th>Instructional Performance Level</th>
<th>3-Year Rolling Average Value-Added Scores</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 30th Percentile</td>
<td>Between 30th and 60th Percentile</td>
<td>Between 60th and 80th Percentile</td>
<td>In Top 20%</td>
</tr>
<tr>
<td>Distinguished</td>
<td>$0</td>
<td>$1,269</td>
<td>$1,523</td>
<td>$2,031</td>
</tr>
<tr>
<td>Proficient</td>
<td>0</td>
<td>1,015</td>
<td>1,269</td>
<td>1,523</td>
</tr>
<tr>
<td>Basic</td>
<td>0</td>
<td>0</td>
<td>1,015</td>
<td>1,269</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

This example determines increase amounts for each combination of practice and value-added scores based on decisions about how quickly teachers in different performance categories should earn the maximum salary. In the existing schedule (Table 1), teachers moved to the maximum in 16 years. Since one goal in this example is to maintain continuity with the existing schedule, this salary schedule moves an average performing teacher to the maximum in 16 years, which includes six years of experience-based increases and ten years of performance-based increases. Since the average teacher is likely to have a value-added between the 30th and 60th percentile and an instructional practice rating of proficient, the annual increase amount for that cell in the matrix is $1,015. This is equal to the difference between the last experience step and the maximum salary ($10,153) divided by 10.

Similarly, this example salary schedule sets the maximum increase based on beliefs about how quickly the best performers should earn the maximum. Given the high level of performance represented by being in the top 20 percent in the value-added distribution and the top category of instructional performance, it may be reasonable for a teacher who consistently met these requirements to move up twice as fast as average. Thus, the annual increase for top performers is $2,031, which is the difference between the last experience step and the range maximum ($10,153) divided by five and rounded up.

Note that according to this matrix, teachers in either the lowest value-added or instructional practice group get no increase regardless of their rating in the other category. In contrast, teachers in the top performance category would receive an annual increase larger than any available under the old schedule, which moves them up the new schedule faster than they would have moved under the old. However, since no more than 20 percent of teachers can earn the maximum progression amount (and likely many fewer, unless every teacher in the top 20 percent of value-added received a “Distinguished” rating), this schedule is still likely to be less expensive than the old one. To see how much less expensive, designers would have to make detailed cost estimates of progression under the new schedule versus the old. Based on these cost estimates, designers could adjust the increase amount in the matrix up or down to make the new schedule cost-neutral.
Alternative 2: An Extreme Makeover

The career ladder concept is another approach to salary schedule redesign. As Odden and Kelley (2002) pointed out, other professions recognize the development of professional expertise through promotions between recognized career levels. In education, career ladders can be based on teacher performance and/or development of the knowledge and skills needed for effective performance. A career ladder would reward movement between career levels with a substantial base pay increase and can supplement these large increases with pay progression within some or all of the levels. Such a career ladder structure would recognize long-term performance and development of instructional practice skills.5

Districts or states that use a career ladder must decide:

1. How many career levels should be defined;
2. The performance requirements for movement between levels;
3. How to measure the performance requirements;
4. What pay rates will be associated with each level;
5. Whether there will be base pay progression within the career levels; and
6. Whether to make career ladder advances permanent or reviewable.

Performance requirements for advancement

This example uses five career levels: Entry, Developing, Tenured Teacher, Developing Expert, and Expert Teacher. Teachers advance between them based on a combination of instructional practice and productivity (student growth or value-added) measures. Table 4 below illustrates how this example uses instructional practice and student growth measures to determine a teacher’s career level.

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5 There are many possible variations of career ladder levels and criteria for movement between levels. Readers interested in other career ladder designs may want to consult Chapters 4 and 5 of the book How to Create World Class Teacher Compensation by Allan Odden and Marc Wallace, available at http://www.textbookmedia.com/Products/ViewProduct.aspx?id=3304. Another source of ideas is How to Design New Teacher Salary Structures by Herbert Heneman and Steven Kimball, available at http://www.smhc-cpre.org/resources/.
<table>
<thead>
<tr>
<th>Career Level</th>
<th>Practice Measures</th>
<th>Productivity Measures</th>
<th>Requirements for Movement to Next Level</th>
<th>Expected Years at Career Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert Teacher</td>
<td>Demonstration of expert instructional practice on a comprehensive practice assessment</td>
<td>Achievement of substantially greater than average student growth or value-added</td>
<td>Satisfy BOTH the practice condition and productivity condition</td>
<td>After three years at this level, teachers receive reviews for retention at this level or return to the levels below</td>
</tr>
<tr>
<td>Developing Expert</td>
<td>Demonstration of expert instructional practice on a comprehensive practice assessment</td>
<td>Achievement of substantially greater than average student growth or value-added</td>
<td>Satisfy EITHER condition</td>
<td>After three years at this level, teachers receive reviews for movement to next level, retention at this level, or return to the level below. Pay frozen</td>
</tr>
<tr>
<td>Tenured Teacher</td>
<td>Demonstration of proficient instructional practice through a comprehensive practice assessment</td>
<td>Achievement of expected student growth or value-added (e.g., one year of growth, plus or minus some range for measurement error)</td>
<td>Satisfy BOTH the practice condition and productivity condition</td>
<td>Minimum of years; teachers can say at this level indefinitely unless performance evaluation ratings or expected student growth indicate need for remediation</td>
</tr>
<tr>
<td>Developing</td>
<td>Satisfactory performance for new teachers as measured by the performance evaluation process.</td>
<td>None</td>
<td>Satisfy the practice condition</td>
<td>Three to four (Years 2, 3, 4 and 5 after hire); teachers who fail to move to next level after two performance reviews are terminated</td>
</tr>
<tr>
<td>Entry (New Hire)</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>1-2</td>
</tr>
</tbody>
</table>

In this example, newly hired teachers with no prior experience begin at the bottom career level, Entry. They can move to the next level after one year if their instructional performance, as measured by the annual performance evaluation process, is satisfactory for a beginning teacher. If performance is unsatisfactory, a teacher could remain at this level for one additional year. If a teacher does not meet the standard after his or her second year, the state or district in this example would not renew the teacher’s contract.

For the Developing level and beyond, this example determines advancement between levels using a more comprehensive performance review than the typical annual performance evaluation. The instructional practice portion of the review might involve multiple observers (including instructional experts from outside the school such as peer reviewers) who conduct multiple observations and review artifacts such as unit plans, student assignments and feedback and descriptions of teacher use of assessment data to plan instruction. Video clips could substitute for some observations. In this example, we assume that instructional practice measures distinguish four performance levels: Unsatisfactory, Basic, Proficient, and Expert. The productivity portion of the review

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could include three years’ student growth or value-added measures.

This example offers teachers at the Developing level three years to meet a minimum standard for instructional practice. In a teacher’s third year at the Developing level, the district or state assesses the teacher’s instructional practice using the comprehensive review process described above. Districts or states could use any number of cutoffs to determine which teachers move to the next level; one possibility is to require the teacher to earn a “proficient” score on the instructional practice measure and to score above average on the productivity measure, plus or minus some factor that accounts for measurement error. Developing teachers who achieve the desired productivity level and demonstrate proficient instructional practice would move to the Tenured Teacher level. As the title implies, teachers who move to this level would earn tenure. In this example, teachers who fail to meet the standard during the first review would receive another opportunity the next year. Teachers who do not attain tenure after two attempts would be terminated.

Teachers at the Tenured Teacher level remain there for at least three years. In the third year, the district or state would assess instructional practice using the same comprehensive process. Educators who meet the performance standards would move to the next level. For example, the district or state could require teachers to achieve an above-average value-added score and earn a rating of “distinguished” on the instructional practice measure. Teachers would remain at the Tenured Teacher level until they meet the requirements to become a Developing Expert teacher. This example envisions that the Tenured Teacher level reflects average or proficient practice and that only above-average teachers will meet the requirements to become a Developing Expert. Many or most teachers will remain Tenured Teachers for most of their career.

Three years after a teacher enters the Developing Expert level, the district or state could evaluate the teacher for transition to the Expert level. Again, teachers would receive a comprehensive performance evaluation in the third year, and three years of student performance data would constitute the productivity measure. To move up, the teacher would have to demonstrate expert-level instructional practice and meet a productivity standard. This standard could be the same as for the Developing Expert level, or the district or state could choose to set it higher.

One of the most difficult issues in career ladder design is whether teachers should permanently advance to new levels or be required to periodically re-earn their status. Some districts or states may believe that periodic review is more consistent with the spirit of performance-based pay. In this example, the district or state re-assesses instructional practice and productivity for teachers at the Developing Expert and Expert levels every three years. Teachers who no longer meet the level criteria move down one level and have three years to move back up. In the meantime, their salary rate would be red-circled (neither reduced nor increased) until the next review. If this review confirmed that the teacher belongs in the lower level, the district or state could continue to red-circle that teacher’s pay or could reduce pay to the maximum of the next level down.

Note that in this example, teachers are eligible to move up the career ladder every three years. This permits the collection of reliable productivity data that represents the teacher’s long-term underlying productivity—as mentioned above, one year of value-added data is insufficient to accurately measure a teacher’s practice. In addition, assessing practice comprehensively only every three years keeps the assessment burden reasonable. In the intervening years, administrators would still conduct the standard teacher evaluation process. Another key feature of this example is that the middle level, Tenured Teacher, reflects proficient instructional practice and an average level of productivity.
Pay rates at each level

After a district or state determines the number of career levels and the requirements for moving between them, the next design step is to determine salary rates for each level, including the size of any base pay increases within levels.

Districts or states may start by determining the entry level salary. As in the Moderate Makeover example above, districts or states should consider the average starting salary in the local labor market, the current minimum salary, and information about the recruitment experience. Based on these same considerations, this example sets the same starting salary, $34,500. Because we expect teachers will stay at this level for only one or two years, there is no pay progression within this level.

Next, the district or state may determine the minimum, maximum, and annual pay progression amounts for the Developing level. This example provides a substantial pay increase on transition to the Developing level, both to recognize the value of the first year of experience and to help retain new teachers whose performance in the first year (or two) indicates that they have potential for effective performance in the future. We recommend a 5 to 10 percent pay increase. A minimum salary of $36,915 for the Developing level would provide a 7 percent increase. Because teachers would normally stay at this level for three years, this example permits teachers to earn two 4 percent yearly increases based on the normal annual performance evaluation process. This puts the level maximum at $39,928. Teachers who need an additional year to demonstrate instructional proficiency or acceptable productivity would not receive a pay increase that year.

The example district or state now determines the minimum, maximum, and annual pay progression amounts for the Tenured Teacher level. This example rewards teachers who move to the Tenured Teacher level with a large raise in order to recognize their demonstration of instructional proficiency and adequate productivity (value-added or student growth). This example provides a 10 percent pay increase, which sets the minimum rate for a Tenured Teacher at $43,921.

The district or state must also determine how much pay progression to provide within the Tenured Teacher level. A key consideration is that although teachers are eligible to advance to the next level after three years, many or even most teachers will remain at this level for substantially longer. To be competitive in the local labor market for “average” teachers, the average salary for teachers at this level should be close to the market average (assumed to be $48,000). Based on these considerations, this example provides six 2-3 percent annual pay increases to teachers. These pay increases are comparable in value to increases that teachers with more than 5 years of experience earn under the existing schedule (Table 1). These increases bring the maximum for the Tenured Teacher level to $50,932. This is close to the 12-year step of the BA + 90 rate of the existing schedule and allows teachers whose performance is satisfactory to reach a comparable pay rate in a comparable amount of time.

Next, we determine the minimum, maximum, and within-level increase amounts for the Developing Expert level. Again, we set the minimum by increasing the top Tenured Teacher salary by 10 percent, yielding $56,025. If the district or state wants to provide pay progression within this level, it could provide two 3 percent annual increases for teachers who receive satisfactory ratings on their annual evaluations. This would set the maximum for a Developing Expert at $59,437.
Similar considerations would determine the minimum and maximum for Expert Teachers. A 10 percent increase from the maximum for Developing Experts sets the minimum for Expert Teachers at $65,381. Providing for two 3 percent annual increases at this level places the maximum salary for Expert teachers at $69,362. Note that the maximum for the Expert level is considerably higher than the highest top step in the existing schedule. This will not be a problem for maintaining cost neutrality if administrators of the career ladder do not become lenient in allowing teachers to progress to the top two levels. If many or most teachers never surpass the maximum Tenured Teacher salary of $50,923, substantial funds should be available to fund salaries at the top two levels. Table 5 below shows the completed salary structure.

<table>
<thead>
<tr>
<th>Career Level</th>
<th>Salary Minimum</th>
<th>Salary Maximum</th>
<th>Base Pay Progression Within Levels</th>
<th>Years at Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert Teacher</td>
<td>$65,381</td>
<td>$69,362</td>
<td>Two 3 percent annual increases</td>
<td>3+</td>
</tr>
<tr>
<td>Developing Expert</td>
<td>56,025</td>
<td>59,437</td>
<td>Two 3 percent annual increases</td>
<td>3+</td>
</tr>
<tr>
<td>Tenured Teacher</td>
<td>43,921</td>
<td>50,932</td>
<td>Six 2-3 percent annual increases</td>
<td>3+</td>
</tr>
<tr>
<td>Developing</td>
<td>36,915</td>
<td>39,928</td>
<td>Two 4 percent annual increases</td>
<td>3-4</td>
</tr>
<tr>
<td>Entry</td>
<td>34,500</td>
<td>$4,500</td>
<td>None</td>
<td>1-2</td>
</tr>
</tbody>
</table>

This model does not provide additional pay for teachers who hold an MA. Districts or states that wish to offer financial recognition for this or other degrees can add such an incentive to the base pay rate at each level. Districts could also provide annual bonuses based on short-term productivity (e.g., year-to-year value-added, meeting student learning goals). Because the Tenured Teacher maximum salary is lower than the top step of most of the existing lanes in Table 1, this schedule would likely allow reallocation of existing salary dollars to fund both the higher career levels and annual performance bonuses. However, designers would still need to use detailed cost estimates to determine the fiscal impact of the schedule and then make adjustments to ensure that the new schedule does not raise costs unsustainably.
Transitioning to a New Salary Schedule

Successfully implementing a new salary schedule requires attention to design choices. Districts and states must also attend to stakeholder involvement and the process of transitioning current educators to the new salary schedule. In addition, districts and states should estimate the fiscal implications of any proposed salary schedule. Careful consideration of each of these factors will maximize the chance of a successful redesign effort.

Stakeholder engagement and communication

Employees grow accustomed to the values rewarded under the existing salary structure and develop expectations about how their pay will increase each year. Changing pay schedules, therefore, requires that states and districts clearly communicate with stakeholders, especially educators, throughout the change process (Max & Koppich, 2007). Before transitioning to a new salary schedule, states and districts communication efforts should address:

- The reasons for changing from the traditional pay schedule
- The rationale for major new features of the pay schedule
- The mechanics of how the new schedule determines pay increases
- How current educators will transition to the new schedule and
- What will happen to each individual’s pay and how each individual can progress under the new schedule


Stakeholders should also have a meaningful voice in decisions about the compensation system so that districts or states can identify and address concerns early. If districts or states do not address concerns during design and rollout, persistent concerns may undermine the system later. Research suggests that teachers and unions are more likely to support compensation reform if stakeholders are involved in the process (Prince, Koppich, Azar, Bhatt, & Witham, 2011b).

Transitioning current educators

Districts and states must determine a method for transitioning educators to the new salary schedule. Educators may be less likely to support salary schedule reform if they believe that the new system threatens their pay. For example, concerns about pay cuts for senior teachers appeared to contribute to the ultimate repeal of Cincinnati’s teacher evaluation system in the early 2000’s (Milanowski & Kimball, 2003). To compensate, states and districts should plan to transition to new schedules in a way that cushions the impact on current educators. This is especially important in light of Goldhaber, DeArmond, and DeBurgomaster’s (2008) finding that veteran teachers in Washington State are less supportive of compensation reforms than novice teachers.

States and districts can cushion the impact of salary schedule transition in several ways. At a minimum, states and districts should allow staff to maintain their current salaries for some predetermined period of time after the transition to the new schedule. This process, often referred to as “red circling,” ensures that no educator immediately loses pay under a new salary schedule. While red circling guarantees that employees will not face a pay cut for some predetermined amount of time, red-circled teachers also would not receive any increases unless they qualified for them under the new schedule. Current rates could be red circled indefinitely or for some set period of time.
A second way to cushion the impact on current staff is to automatically apply the new schedule to new hires while permitting current teachers to choose whether to stay on the old schedule or move to the new one, either for some transition period or until they leave the district. While this makes the change palatable to most current teachers, concurrently operating two pay systems does require additional expense and effort. In addition, permitting teachers to opt-in delays the new schedule’s full impact. When districts or states evaluate different future cost scenarios for potential reforms, they should be mindful that the teachers who earn the most under the old schedule will have the greatest financial incentive to stay on that schedule.

Another possible approach is to require participation in the new system only for teachers below some level of seniority, perhaps 15 to 17 years. This is a middle ground between requiring all teachers to participate and exempting all current teachers. This approach offers two advantages. First, because experienced teachers are closer to retirement, this solution permits the district or state to phase the old schedule out more quickly than it could by allowing all current teachers to stay with the old schedule. Second, because veteran teachers are likely to be at or near the top step of the current schedule and be most accustomed to its operation, they are the most likely opponents of a new system. Allowing them to remain on the old schedule indefinitely gives them less reason to object to the new system.

Regardless of how exactly a district or state chooses to integrate current educators into the new system, it will face tradeoffs between speedier full implementation and satisfying some educators’ desires to continue under the old system. Each district or state must weigh these tradeoffs in its own context. Communication and stakeholder involvement in the design process are critical to identifying the solution that is most appropriate for a given district or state. Districts and states may wish to implement a new system quickly, but they should not go so quickly as to lose stakeholder support and damage the viability of their new system.

Cost estimation

States and districts have varying goals for compensation reform. Some may want to save money, while others want to hold costs constant or increase teacher salaries overall. To monitor proposed schedules’ fiscal impact, districts or states should use cost estimates throughout the design process. These estimates should consider the pay distribution in the current schedule and the expected pay distribution in the new schedule. Ensuring a fiscally sustainable system may require changes.

By gleaning savings from the lower maximum salary for the average teacher and not providing funds for earning advanced degrees, this model’s career ladder schedule would be very likely to allow reallocation of existing salary dollars to fund both the higher career levels and annual performance bonuses. However, states and districts should conduct detailed cost estimates regardless of how reasonable their preliminary figures seem. If it turns out that the projected costs are unsustainable, a district or state should adjust its payouts accordingly.
Finding Funds for Performance Pay Without Major Schedule Changes

It is also possible to find money for performance pay without making major changes to the single salary schedule. The simplest option is to cut steps and lanes off the existing schedule. Since there is little justification for annual experience-based step increases beyond a certain point, cutting steps off the top of the schedule is a logical place to start. Once states or districts establish the amount of performance-based pay they will provide per teacher (e.g., bonuses averaging $3,000 per teacher for half of the teachers amounts to $1,500 per teacher), they can cut steps from the existing schedule until they attain the savings needed to fund performance pay. If the average step size at the top of the schedule equals a 3 percent raise over the previous step, eliminating that step would save 3 percent of the total salary for teachers moving to that step.

As a further incremental change toward performance-based compensation, states or districts might require a particular level of performance, as measured by the teacher evaluation system, in order to receive a step increase after teachers earn. This uses the assumption that an educator with tenure is expected to perform at a proficient or satisfactory level, while a less experienced educator may require more time to attain that level. Although this may not save a large amount of money, it communicates to both teachers and the public that performance affects base pay.

A Real-World Example: Denver’s ProComp

The Denver Public Schools (DPS) is one of the first U.S. school districts to depart significantly from the traditional salary schedule. The Denver ProComp system, designed in partnership with the Denver Classroom Teachers Association (DCTA) and implemented in 2006, replaced the traditional schedule with a mixture of base pay increases and bonuses that recognize and reward teachers based on multiple aspects of performance. ProComp also addresses differences within the teacher labor market by providing incentives to teach in hard-to-serve schools and hard-to-staff subjects. A written agreement between DPS and DCTA governs the program.

ProComp still operates today, albeit with many modifications to its original design features. Over 80 percent of the district’s teachers participate in ProComp, and DPS expects that proportion to increase over time as veteran teachers who opted against joining ProComp retire or leave the district. DPS provides a thorough description of the program on the ProComp website, http://denverprocomp.dpsk12.org. This section summarizes of ProComp’s key features and highlights several key considerations for districts and states that are redesigning their compensation system. Table 6, an adapted version of a table on the ProComp website, summarizes the program’s many facets.
<table>
<thead>
<tr>
<th>Component of Index $37,551</th>
<th>Knowledge and Skills</th>
<th>Comprehensive Professional Evaluation</th>
<th>Market Incentives</th>
<th>Student Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element</td>
<td>Professional Development Unit (PDU)</td>
<td>Non-Probationary</td>
<td>Hard-to-serve School</td>
<td>Incentive paid for meeting student growth objectives</td>
</tr>
<tr>
<td>Description of element</td>
<td>Providing ongoing professional development—tied to the needs of our students—a central strategy to help you expand your skills, improve student performance, and advance your career with the district</td>
<td>Increases based on a satisfactory evaluation</td>
<td>Designed to attract teachers to schools with a high free or reduced-price lunch percentage</td>
<td>Teachers whose assigned student’s growth in CSAP scores exceed district expectations</td>
</tr>
<tr>
<td>Eligibility and payout</td>
<td>Base building for PDUs paid if 14 or fewer years of service. Non-base building if more than 14 years of service at time of payment</td>
<td>Requires satisfactory evaluation: If unsatisfactory, ineligible for CPE increase</td>
<td>Teachers receive 1% of index increase for a satisfactory annual evaluation during years 1-14 if have not received a 3% of index CPE increase in the past two years</td>
<td>Teachers currently serving in designated hard-to-serve positions</td>
</tr>
<tr>
<td>Effect on base salary</td>
<td>Base Building</td>
<td>Base Building</td>
<td>Base Building</td>
<td>Base Building</td>
</tr>
<tr>
<td>Percent of index</td>
<td>2%</td>
<td>9% per degree or license. Eligible once every three years</td>
<td>1% every year if no 3% in past two years</td>
<td>1% every year</td>
</tr>
<tr>
<td>Dollar amount</td>
<td>$751</td>
<td>$3,380</td>
<td>$376</td>
<td>$2,403</td>
</tr>
<tr>
<td>Builds pension and highest average salary</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Payment type and frequency</td>
<td>Monthly installments upon submission of proper documents</td>
<td>Prorated over 12 months if unsatisfactory, delayed at least 1 yr</td>
<td>Prorated over 12 months if unsatisfactory, delayed at least 1 yr</td>
<td>Monthly installment upon completion of each month</td>
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Table 6: 2011-12 ProComp Payment Opportunities

Adapted from Denver Public Schools (n.d.)

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Table 6: 2011-12 ProComp Payment Opportunities

Adapted from Denver Public Schools (n.d.)
Notes:

• These amounts and terms use the agreement approved by DCTA membership as a basis. ProComp pay referenced in this document is based on an index amount of $37,551. Amounts are based on 1 FTE (except for Tuition Reimbursement) and are prorated.

• Top Performing Schools and High Growth Schools incentives are based on the School Performance Framework, which you can read about on the Denver Public Schools website. The exact targets for determining the schools receiving these incentives are set by the Transition Team.

• ProComp participants who will have 14 or fewer years of service credit during the contract year in which the PDU is paid will receive a salary increase of 2% of the salary index for the contract year in which the PDU is paid.

• ProComp participants who will have more than 14 years of service credit during the contract year in which the PDU is paid will receive a non-salary building bonus of 2% of the payment year’s salary index.

1 Builds base salary for teachers with 1 to 14 years of service credit and does not build base salary for teachers with 15 or more years of service credit.

2 All incentives except Tuition Reimbursement are pensionable. In other words, all ProComp payments are taken into account in calculating your highest salary upon which your pension is based.

3 Regarding the Student Growth Objectives, teachers will receive the payout in a non-base building lump sum if one objective is met and as a base building payment if two objectives are met.

4 Service Credit—The years of full-time contract experience recognized by DPS, which may include experience outside the DPS. Years of service is different from Longevity. Longevity includes service at DPS only.

5 See ProComp MoU Payment matrix for more detail on timing of payments.

ProComp did not completely eliminate the single-salary schedule. DPS uses a version of the traditional schedule to determine starting salaries for new hires and pay raises for those who opted out of ProComp. New hires with no experience and a bachelor’s degree start at step 1 in lane 1 (currently $37,551). New hires with additional experience (up to 10 years) or additional degrees/credits start at the rate corresponding to the traditional schedule. This helps the district stay competitive for new hires in its local labor market since most of its competitors still use the traditional schedule.

ProComp accounts for differences in teacher supply across specialties and school types by providing a $2,403 increase in base pay for teachers in hard-to-staff schools or teaching assignments. This amounts to 6.4 percent of the base salary rate for newly hired teachers. The district determines whether a position is hard-to-staff based on applicant shortages and turnover rates. Examples of positions that carry bonuses include secondary math, some special education assignments, and bilingual teachers in certain programs. All pay increase amounts are fixed to the index (the base salary) and do not compound.

A combination of teacher skills, quality of teaching practice, and student outcomes determines base pay progression under ProComp. The program retains a degree of continuity with traditional salary schedules by using advanced degrees and certifications as one basis for pay progression. ProComp offers a $3,380 pay increase (9 percent of the beginning rate/index) per degree or certification. Teachers are eligible for this increase only once every three years. ProComp also provides a smaller base pay increase ($751, or 2 percent of the index) for completing specific professional development units related to improving student learning. This provides an incentive to develop skills more directly related to teaching, such as found in knowledge and skill-based pay systems (Milanowski, 2002). Teachers with more than 14 years of experience do not get these base increases, but receive the dollar amount as a non-base-building bonus.

The second basis for base pay progression is classroom practice. Probationary teachers with 14 or fewer years of experience who earn a satisfactory rating receive the equivalent of $376 per year (1 percent), while non-probationary teachers with 14 or fewer years of experience are eligible for a $1,127 increase every three years (3 percent). Teachers with more than 14 years of experience are not eligible for these increases. The third basis is student learning. Teachers who meet each of their two annual student growth objectives receive a base increase of $376 (again, 1 percent of the index).8

8 Teachers collaborate with evaluators to set their own individual student growth objectives.
ProComp also provides numerous opportunities for one-time bonuses. Teachers can earn a bonus based on their individual classroom gains ($2,403, or 6.4 percent of the index), two bonuses based on school performance (each worth $2,403, or 6.4 percent of the index), and a bonus if they achieve one but not both of their student growth objectives (worth $376, or 1 percent of the index). One consequence of the use of bonuses is that they do not increase base pay, which would be more typical of the private sector. ProComp also provides tuition reimbursements and student loan assistance.

While the largest incentives—the market incentives and student performance rewards—do not contribute to an educator’s base pay, base pay progression of up to $1,503 per year (4 percent of the index) is possible, with an additional $3,380 for a degree or certification also available.

ProComp planners thought through many considerations that can affect a performance-pay program’s sustainability and its popularity among educators. First, they managed the impact of the new salary schedule on current educators. ProComp participation is optional for teachers who are already in the system, and teachers who choose to use their current salary as their starting ProComp salary, guaranteeing that their pay will not decline. In 2006, the first year of ProComp’s implementation, teachers either opted into ProComp or opted out and remained on the single-salary schedule. Through 2011, DPS provided multiple opt-in windows for existing teachers, but required all new hires and rehires to join ProComp. To assist teachers in their decision about whether to participate, DPS held a meeting that compared the advantages of staying on the single-salary schedule to those of joining ProComp. These meetings helped teachers compare their earnings potential under ProComp to their potential earnings under the single-salary schedule. Second, ProComp provides an online salary calculator to help teachers project their future pay.

Third, ProComp features a dispute resolution process for teachers who wish to contest their ProComp pay raises (except for raises related to comprehensive professional evaluation). If a teacher contests his or her pay raise, a panel of five DPS administrators and five DCTA representatives judges the appeal and issues a final and binding written decision. Fourth, the planners considered and resolved the issue of whether non-base-building pay components would affect teacher pensions early in the development process. They chose to include these amounts in earnings used for pension calculations.

Finally, ProComp’s planners considered and addressed potential financial sustainability issues. An inflation-adjusted $25 million tax increase has the sole purpose of funding ProComp. A trust board charged with ensuring funding stability manages the funds. ProComp’s financial sustainability was tested recently by severe state budget cuts, and, in response, DPS and the DCTA agreed to make all salary increases for 2011–12 non-base-building, including those for principals, central office administrators, and classified staff. This will help maintain equity between ProComp and non-ProComp teachers, as ProComp teachers will not be disadvantaged relative to those who opted out. Once the economy and funding climate improves, DPS anticipates that it will resume base-building incentives.

In addition to the above, designers of alternative pay schedules may want to consider several key features of ProComp:

First, ProComp is a joint venture between DPS and the DCTA. Both organizations worked together to design and implement the system, and they continue to work cooperatively on issues such as funding, administration, and complaint resolution. Alternative pay schedules require a collaborative approach to collective bargaining and human resource management. In addition, they require school systems to
move away from the beliefs that underlie the traditional salary schedule and toward new core beliefs about teacher compensation.

Second, ProComp provided a smooth and orderly phase-in period. The district offered teachers numerous opt-in or opt-out windows over a four-year time period and guaranteed that teachers would not face a pay cut. These teachers received help in deciding which approach would be best for them. These phase-in features likely enhanced the perceived equity and acceptability of ProComp. One downside to the phase-in process is the administrative burden of having to administer both the single salary schedule and the ProComp system side-by-side for a lengthy period of time. However, the burden lessens as opt-in windows pass, and veteran teachers who chose to remain on the single salary schedule leave DPS. The teacher “buy in” gained from providing multiple opt-in windows may be worth the burden of temporarily operating two systems.

Third, while ProComp maintains continuity with the single-salary schedule, it also gives teachers more responsibility for determining their own pay progression. This requires the district to provide teachers with more information about the system. DPS and DCTA continuously communicate with teachers about objectives and incentives as well as what teachers must do to receive incentive pay. This is critical to the success of performance pay in any organization in either the public or private sector.

Fourth, the flexibility teachers have in helping determine their own pay makes projecting the future costs of the program more difficult than for the traditional schedule. Fifth, a comprehensive re-design such as ProComp creates many ripples into other administrative areas, especially other parts of the human resource management system. Any new performance pay system must link with other management systems in order to maximize its chances of recognizing teacher performance, improving student performance, and sustaining those improvements over time.

Some examples of these links include:

- Developing recruitment materials and messages for the new system in order to recruit new teachers who are attracted to performance-based pay
- Potential revisions of selection processes to better identify new teachers with the competencies to be successful in meeting performance objectives
- Provision of targeted professional development to help teachers earn the pay increases and bonuses offered (e.g., how to create and teach to student growth objectives, how to interpret and use standardized test scores to design instruction to maximize student growth)
- Training on how to effectively use the comprehensive professional evaluation system and help teachers set rigorous and measurable student learning goals for school administrators and other instructional leaders
- Collection of data to define and track what constitutes a hard-to-serve school or assignment and
- Development of data systems, especially systems linking individual teachers and their students, to capture and store all the new data required to make pay decisions under the new system

**Conclusion**

This paper described basic principles of performance-pay structures that districts and states that are implementing performance pay should consider. It illustrated those principles using two examples of how a district or state might redesign its salary schedule. In addition, it reviewed key considerations for transitioning to a new system and described an actual performance-based compensation system, ProComp, that embodies many of the principles discussed in the paper.
References


