# ISSUE 21

## Can Merit Pay Accelerate School Improvement?

**YES: Steven Malanga,** from "Why Merit Pay Will Improve Teaching," *City Journal* (Summer 2001)

**NO: Al Ramirez,** from "How Merit Pay Undermines Education," *Educational Leadership* (February 2001)


**ISSUE SUMMARY**

**YES:** Steven Malanga, a senior fellow of the Manhattan Institute, draws on examples from the corporate world and from public school systems in Cincinnati, Iowa, and Denver to make his case for performance-based merit pay for teachers.

**NO:** Associate professor of education Al Ramirez contends that merit pay programs misconstrue human motivation and devalue the work of teachers.


The issue of merit pay, or pay-for-performance, for teachers is certainly not new, but as Steven Malanga, one of the combatants presented in the pairing offered here, says, it is "one of the bitterest controversies in today's school reform debate." The current push to improve public education, particularly in impoverished areas, and to hold individual schools more accountable for achieving desired results has rekindled the argument over merit pay as a replacement for a reward system based primarily on seniority and earned course credits.

Although some forms of merit plans were widely used in the early part of the twentieth century, the economic depression of the 1930s prompted conversions to uniform pay scales. Teachers' unions, which gained strength throughout the remainder of the century, were not supportive of incentive pay schemes. They expressed doubts about the fairness of various evaluation methods and concerns about possible threats to collegiality and the standardization of teaching practices. Since the 1980s, and particularly since the passage of the "No Child Left Behind" legislation, pressure for an accountability system containing specific rewards for teachers and schools that meet desired outcomes has vastly increased.

The matter of how to appropriately and fairly evaluate teacher performance remains a major stumbling block in the adoption of merit pay plans. Local socioeconomic factors and the unevenness of support structures among school systems and states add complexity to the process. According to Sandra McCollum, in "How Merit Pay Improves Education," *Educational Leadership* (February 2001), merit pay programs are often discontinued because of one or more of the following reasons: they are unfairly implemented, teachers' unions refuse to endorse them, they create poor teacher morale, legislators who support them leave office, and they are simply too costly and difficult to administer.

An economist's view is offered by Darius Lakdawalla in "Quantity Over Quality," *Education Next* (Fall 2002). He contends that schools have been hiring more teachers in an effort to reduce class sizes but have not been rewarding them for quality performance. In the past few decades, serious opportunities outside teaching have opened up, and school systems have not risen to challenge the competition. The problem of retaining and attracting top-quality teachers is addressed in Marge Scherer, "Improving the Quality of the Teaching Force: A Conversation With David C. Berliner," *Educational Leadership* (May 2001). Berliner states that 7 of 23 nations surveyed exceed the United States in starting salaries for teachers and that 9 of 21 nations exceed the United States in top teacher salaries. In the realm of pay, status, and working conditions, says Berliner, "The U.S. is saying to its educators that they are not really important; if we thought they were important, we'd pay them a larger share of our gross domestic product, as other nations do." Yet Berliner is also worried that a merit pay plan based primarily on student achievement could lead to teachers' doing the wrong thing in their classrooms—cheating and narrowing the curriculum.

Some guidelines for the fair evaluation of teacher performance are put forth by Thomas R. Hoerr in "A Case for Merit Pay," *Phi Delta Kappan* (December 1998). In Hoerr's view, there must be trust between the administration and the faculty, judgments must be treated with confidentiality, there must be recognition that both what is valued and how it is measured will vary by context, and teachers who do not perform satisfactorily and do not respond to supportive intervention should not be rehired. Getting rid of ineffective teachers, however, is so arduous and expensive that many school systems do not attempt it. So says Peter Schweizer in "Firing Offenses," *National Review* (August 17, 1998). He analyzes the companion issue of teacher tenure, a system that was originally designed to protect the best teachers from wrongful termination but that Schweizer says now protects the worst teachers from rightful termination.

In the following selections, Steven Malanga argues that merit pay is essential to meaningful teacher evaluation and school improvement, while Al Ramirez contends that merit pay is a misguided policy with numerous unintended consequences.

# YES

Steven Malanga

# Why Merit Pay Will Improve Teaching

One of the bitterest controversies in today's school-reform debate is merit pay—rewarding teachers not for seniority and the number of ed-school credits they've piled up, as public schools have done since the early 1920s, but for what they actually achieve in the classroom. Education reformers argue that merit pay will give encouragement to good teachers and drive away bad ones, and thus improve under-performing public schools. But most teachers' unions adamantly oppose the idea. We don't have reliable means to measure a teacher's classroom performance, the unions charge, so merit plans will inevitably result in supervisor bias and favoritism: "Just too many cliques in the system," one teacher typically complains in a recent survey.

Nowhere is the incentives debate raging more fiercely than in New York City, where teachers' contract negotiations have been at an impasse for months. Mayor Rudolph Giuliani has demanded that merit pay for individual teachers be part of any deal; the teachers' union response (at least so far): fuhgeddaboudit.

Missing from the argument, though, are lessons from the private sector, where sophisticated, effective performance-based compensation has been *de rigueur* since the 1980s—part and parcel, experts believe, of corporate America's hugely successful restructuring. Also ignored are experiments with comprehensive merit-pay plans that are under way in a few innovative school districts across the country—districts burdened with much less political resistance than Gotham.

To get a sense of what merit pay could do for the public schools, consider the benefits it has showered on American industry over the last two decades. Before the eighties, merit pay in U.S. firms—if it existed at all—was pretty simple: the boss gave you a fat bonus if you (or your unit) met sales or production goals. But as international economic competition pummeled them in the early 1980s, U.S. corporations, desperate to regain their competitiveness, began to experiment with measuring individual worker performance. They established pay incentives to improve it in formerly hard-to-measure categories of output

From *City Journal*, vol.11, no. 3, Summer 2001. 

and in previously intangible areas like customer service or product quality. Of course, the bottom line was still the bottom line, but these intangibles, companies now reasoned, mattered to the long-term economic health of the firm, even if they didn't show up right away in the quarter-by-quarter numbers.

Familiar today, the new performance criteria—and the multi-faceted compensation plans built on their foundation—were strikingly original at the time. Retailers hired "mystery" shoppers to check out how employees treated customers, and based salaries, in part, on what they found. Businesses built into sales contracts "integrity" clauses that gauged not just how many widgets an employee sold but how long clients stuck with him. Banks remunerated loan officers not just for the lending they brought in but for the long-term quality of their loan portfolios. Some auto dealers tied part of salesmen's pay to how customers rated them in follow-up surveys. Companies combined these kinds of individualized incentives with rewards for everybody if the whole firm did well. Airlines, for example, gave the entire crew bonuses if the fleet's on-time performance improved.

Predictably, when U.S. businesses first introduced these innovations, workers grumbled, especially in heavily unionized industries like auto manufacturing, where any change threatened cushy labor arrangements. "They said that you couldn't measure some things, that the pay systems were too subjective, that supervisors were too subjective—in short, everything that teachers today are saying," observes Alan Johnson, a New York-based compensation consultant. Many efforts stumbled at first, too, and companies had to discard or overhaul them. Creating effective programs, it became clear, would not be an overnight fix. "Even today, with all we know, it takes three years to start up an effective incentive-pay program," cautions Martha Glantz, a compensation expert with Buck Consultants in Manhattan. "You can spend the first year just deciding what the company's goals and missions are, and collecting the data."

But American firms, needing to change or perish, forged ahead, winning over employees who liked the challenge of incentive pay and, through trial and error, developing pay plans that worked. By the mid-1990s, half of all major American corporations used such incentives. "It's no longer credible to say you can't measure something or that the only thing you can measure is a simple output," says Johnson. Merit pay played a crucial role, most observers believe, in generating the zooming productivity gains and superior product quality that American firms began recording in the late 1980s and that have been central to the nation's economic prosperity ever since.

The public education monopoly has long resisted merit pay with the same ferocity with which private-sector workers at first greeted it. Opponents have constantly invoked previous attempts that failed—though their only examples have been two experiments that are over 100 years old, and another from the 1960s, before modern notions of performance pay emerged. The conventional wisdom among educators had long been that any attempt to pin down exactly

what makes for good teaching, let alone measure and reward it fairly, was doomed to fail. "There was a general feeling that you were either gifted as a teacher or you weren't, and that good teaching wasn't something you could define," says Charlotte Danielson, an expert on teaching at the Educational Testing Service in New Jersey. As a last-ditch defense, some educators even argued that factors outside school, especially a student's socioeconomic and family situation, had a much greater impact on student performance than teachers did, so that using merit pay based on student performance to promote good teaching, even if it could be defined, wasn't fair. The unasked question was why teachers should ever receive salary hikes if what they do doesn't matter.

Over the last decade, these views have utterly collapsed, undermining the intellectual case—weak as it was—against merit pay. A key figure has been University of Tennessee statistician William Sanders, who discovered how to measure a teacher's effect on student performance. Rather than try to filter out the myriad sociological influences on pupils, a nearly impossible task, Sanders used complex statistical methods to chart the progress of students against themselves over the course of a school year and measure how much "value" different teachers added. Now called the Tennessee Value-Added Assessment System, Sanders's approach proved what every parent already knew: not only did teachers matter, but some were lots better than others. Other education experts, including Danielson, author of several popular books on pedagogy, developed widely accepted criteria to judge good teaching, which put paid to the absurd notion that it was too elusive to define.

If the 1990s helped re-establish the centrality of teaching in the education debate, however, that victory hasn't melted away the teachers' unions' political opposition to merit pay. Even so, a small number of school systems across the country, under intense pressure from parents, politicians, and administrators to improve student performance, have turned to merit pay to promote better teaching. And, after some give-and-take, they've managed to get the teachers' unions on board.

Cincinnati's public school system, the first to experiment with performance incentives, persuaded its teachers' union in 1997 to do a test run of merit pay. Two years later, a ten-school pilot program, designed by administrators and teachers, got under way. Essential to union support was the pilot's proposed use of peers to evaluate teachers. "The peer evaluators, who have no stake in how teachers are judged, are important to the perception of the fairness of the system," observes Kathleen Ware, associate superintendent of Cincinnati schools. Using Danielson's criteria of good teaching—they include class preparation and clarity of presentation—the principals and peer evaluators devoted 20 to 30 hours to assessing every teacher in the ten chosen schools. Based on how they scored, teachers then wound up in one of five salary categories, with "novices" making the least money and "accomplished" teachers the most.

The pilot proved successful. A majority of teachers involved found it fair and judged the standards used as appropriate for the whole school district. The city's board of education adopted it in the spring of 2000, and, in a subsequent election, union members signed on. Teachers will go through evaluations every five years, though those looking to move up quickly can request an appraisal after just two years. New teachers and one-fifth of all experienced teachers [had] evaluations done [in 2001], but no one [started] getting paid under the new system until 2002.

Unfortunately, Cincinnati's new program doesn't directly use student test scores in its evaluations. Bringing in scores would have generated too much union hostility for the plan to gain acceptance, reports school superintendent Steven Adamowski. And in all likelihood, tying pay solely to test scores is a bad idea; nobody would call meritorious a teacher who boosted scores but left his students psychological wrecks because of his bullying. Yet leaving tests out altogether also makes no sense. After all, what better way to determine how well students are doing—the only reason for the concern over teaching quality in the first place—than test scores? Cincinnati's program recognizes this implicitly. The district will monitor test results of students whose teachers score the highest ratings. If those students don't show substantial improvement, school officials will toughen the program's standards. In addition, the district will rely on student tests to award bonuses to all teachers in a school whose kids take big strides.

One major benefit of merit systems is that they enable schools to pay teachers—especially young and ambitious teachers—fatter salaries. That's the overriding rationale behind Iowa's new incentives program, enacted by the state legislature to keep better-paying nearby states from spiriting away top teachers. The state has anted up $40 million for salary increases, but, in a program similar to Cincinnati's, Iowa will now evaluate teachers thoroughly to make sure the extra dough goes only to the good classroom performers, not the duds. "We believe this system will help us retain the best people by re-professionalizing teaching," enthuses John Forsyth, chief executive of the Des Moines-based Wellmark Blue Cross and Blue Shield. Forsyth helped the state dream up the new system, looking to the market for inspiration. "We know good teachers make a difference," he continues, "and we're going to pay those who do make a difference." How much more reasonable this is than the New York union's claim that, because a few city teachers jump to higher-paying suburban schools each year, all teachers—the good and the bad alike—need equal raises to make them stay.

In Iowa's new system, good teachers will now be able to reach higher salary levels much earlier in their careers than before. "The private pay consultants who looked at our old seniority system thought it must have been designed specifically to keep teacher pay low and save school districts money," says Ted Stilwill, director of Iowa's Department of Education. "The only way for teachers to get paid more under that system was for them to stick it out

for years." As in Cincinnati, union opposition means that Iowa won't rely on test scores to evaluate teachers—at least not directly. But in addition to paying teachers based on their performance evaluations, the state will also offer modest yearly bonuses to all teachers in a school whose students do well on standardized tests, with the biggest bonuses going to the school's best instructors, rather than all teachers getting equal rewards.

Helping to develop Iowa's plan has been an eye-opener for the state's education chief. "Private-sector compensation experts taught me that businesses use pay as a way of getting everyone to follow common goals," Stilwill says. "Being in the public sector most of my life, I never understood that."

Though Cincinnati and Iowa have skirted the controversy of using student test scores, Denver is confronting it head-on. The city has launched two pilot plans that link pay directly to scores. One pilot program uses student scores in standardized tests of basic skills; another relies on scores in specific subjects. Principals and teachers agree at the beginning of the school year on what kinds of improvements in test scores they'll shoot for and then face evaluation at the end of the year to see if they've met their goals. Denver is also instituting a third merit-pay pilot program that instructs teachers in the principles of good teaching and then evaluates their teaching skills and rewards them accordingly. Denver will later measure how their students perform on tests to see if its criteria for good teaching really produce results. Through these experiments, Denver hopes to figure out what motivates teachers best and what works best for students.

Denver's teachers' union, surprisingly, has contributed mightily to developing the pilots; the head of the project's design team, Brad Jupp, is a union negotiator. He says the union is participating because the demand to make schools more accountable is so intense that teachers would rather help create performance systems than have them imposed from above. "If you believe that your union members are doing a good job—and we do—then you want a system that accurately measures that," says Jupp.

Experiences from the private sector suggest that it will take several years before these imaginative programs work out all their kinks. In the meantime, controversy will dog the new programs. Critics will pounce on their every mistake as evidence that paying teachers for performance is a bad idea. And unions are likely to push for watered-down plans in order to deflect criticism without giving up too much.

This last is exactly what's happening in New York. The teachers' union has offered the mayor a compromise: pay every teacher in a school or district a bonus if the school's or district's test scores rise. A trial run of such a system, supported by Gotham's business community, is under way in two urban districts; other states, including California and Georgia, already have school-based bonuses.

But group bonuses will never substitute adequately for true performance pay, compensation experts believe, since they don't single out good and bad

teachers. All they're likely to do is to frustrate first-rate teachers working in schools with mediocre staffs. "If you have four workers doing well in a unit that is not otherwise performing, over time those four will leave the company and go somewhere that they can be rewarded for their superior work," says consultant Glantz. And since schoolwide bonuses don't put any pay at risk—poor performance doesn't mean less money—they won't help rid schools of lousy teachers either. By contrast, teachers who score poorly in, say, Cincinnati, now find themselves shunted into the lowest salary level, discouraging them from sticking around. Mayor Giuliani, rightly, has rejected the union's offer.

Of course, smaller cities like Cincinnati are far removed from the we don't-do-windows union obstructionism of a New York or a Los Angeles. For 15 years, Cincinnati's teachers' union has accepted some kind of peer evaluation of teachers; it's easily one of the nation's most flexible teachers' unions. Unions in New York and Los Angeles, conversely, have fought almost every education reform tooth and nail. Last year in Los Angeles, thousands of teachers ferociously protested against a proposed merit-pay plan, eventually killing it. Moreover, in the current public school monopoly, there's nothing really comparable to the outside economic pressure that forced American industry to develop its merit programs—one more argument for school choice.

Without individualized merit pay, teacher evaluations will remain perfunctory at best. Today, New York principals fail less than 1 percent of all teachers in annual evaluations. New York hopes to get principals to crack down on bad teaching by rewarding them financially when their schools do well. That will eliminate one of the main objections to teacher merit pay—that it leads to supervisor favoritism: even if a principal hates an effective teacher's guts, he's not going to want to lose someone who's helping him sweeten his own salary. But until teachers are part of any performance-pay system, the impact of such innovations will be severely limited—and students will continue to get shortchanged, regardless of how much their teachers take to the bank.

Al Ramirez

NO

# How Merit Pay Undermines Education

Proposals for merit pay, including pay-for-performance, continue to surface as policymakers search for ways to motivate administrators and teachers to be more effective—and to make educators do what policymakers want them to do. These types of remuneration plans are different from paying a teacher extra for taking on additional duties, such as running an after-school computer laboratory or serving as a mentor or master teacher. Instead, these merit pay policies give individual employees extra compensation, above and beyond the base salary, for work and contributions that exceed some pre-established criteria. These criteria often include achieving higher student test scores on standardized tests.

## Carrots and Sticks

Why can't teachers and administrators be "incentivized" like aluminum-siding salespeople? Not all lawyers in a legal firm take home the same annual salary and bonuses, so why can't policymakers for public education find a way to pay similar classifications of employees different rates of pay on the basis of their job performance? Professional sports teams pay their players on the basis of their performance and perceived potential value to the team, so why can't school districts do the same?

But do compensation decisions really reflect employees' contributions? As Rosabeth Moss Kanter (1987) points out, "Status, not contribution, has traditionally been the basis for the numbers on employees' paychecks. Pay has reflected where jobs rank in the corporation hierarchy—not what comes out of them" (p. 60). Despite centuries of experience with employee compensation plans, status still wins out over contribution. Contrast the pay of corporate CEOs in the United States, some of whom earn more than 600 times as much as their typical non-management employees, to the much smaller differential between the pay of employees and CEOs in Europe and Japan. Do American corporate boards know something about compensation plans that their foreign competitors don't?

In fact, the seemingly logical link between employee production and compensation is often debatable and highly subjective. We can understand why new approaches to determining pay are so difficult to establish in public

school districts today if we look at the historical development of educators' most common compensation approach—uniform salary schedules with steps and lanes. This compensation system rewards professionals for their years of experience on the job and level of educational attainment. Incentives are structured to encourage teachers and some administrators to remain loyal to the school district and to improve their skills and knowledge by pursuing additional training, usually by attending approved workshops and courses or earning graduate degrees.

In the ideal situation, this system rewards a teacher or principal who, for example, participates in a workshop, typically on his or her own time, about the educational uses of computers. This employee is building on a knowledge base and thus is able to make a greater contribution to the school district's mission to prepare students for success in our democratic society. In theory, this compensation system motivates employees to get better at their jobs. Critics argue that the theory behind this system doesn't hold up. They point to the lack of linkage between the incentive system and outcomes in schools and classrooms. They also challenge the abuses in such systems, where employees are rewarded for taking courses in wok cooking or given graduate credit by diploma mills for signing up for the walking tour of downtown Los Angeles.

But the tenacious attachment to this system has deep roots. In the past, policy leaders set up teacher compensation systems according to criteria that they felt were justified and appropriate, and boards of education, city councils, and other similar deliberative bodies used democratic means to arrive at pay policies. Nonetheless, some of these decisions look strange to us today. Consider the Chicago school system in the early 1900s. As the school system matured, policymakers moved to standardize the employee compensation system. One of the components of their system was a substantial pay differential between male and female employees (Peterson, 1985), and the gender pay differential continued even when women started to assume administrative roles. At the beginning of the 20th century, pay differentials in Atlanta, Georgia, were based on race. Although the African American community had managed to secure minimal services from the Atlanta school board, the dual system of education determined that African American and white teachers would not have the same rate of pay (Peterson, 1985). History has demonstrated that governing bodies are capable of establishing unfair practices. The legacy of such compensation systems in public education has been to elevate one criterion—fairness—as the paramount consideration in all pay decisions.

Logic would dictate that a teacher's years of experience in the classroom and level of educational attainment are somewhat related to the academic performance of students. In theory, a first-year chemistry teacher fresh out of college is not as effective with high school students as is a 10-year veteran with a master's degree in science teaching or organic chemistry. But critics counter that empirical evidence doesn't support such logic. They assert that a teacher's training is irrelevant and that experience counts for nothing. What matters, they say, are the results a teacher gets with students; outcomes, not inputs, should determine rewards. Using an outcome-based criterion, they claim, is the only fair approach to rewarding teachers.

Educators point out that such proposals for output-based compensation are not fair, reverting once again to the fairness issue. How can teachers be held accountable for school conditions that they cannot control? Unless all inputs are equalized for all teachers and administrators, how can policymakers judge the value of the outcome? Educators further argue that their jobs involve more than teaching academic subjects and often extend beyond the measurable—for example, consoling a child whose parents are going through a divorce or advising a student about options for college.

## Understanding Human Motivation

The problem with both the input-reward system and the outcome-reward system is that they ignore the basic dynamics of what motivates human beings. The approach of focusing on fairness above all else has inhibited the contribution of some members of the group—for example, those with exceptional abilities who may not fit the mold. In contrast, the outcome-centered motivation system devalues the significance of an individual's contribution and oversimplifies the role of the educator. Neither system considers the body of research related to the psychology of human motivation.

Consider the work of Frederick Herzberg (1987) and his studies of employee motivation. He and his colleagues identified a series of more than 3,000 items that either motivated workers or diminished employees' enthusiasm for their jobs. The "satisfiers" and "dissatisfiers" will surprise policymakers who view money as the sole motivator on the job. Organizational policy and administrative procedures, supervisory practices, employee-employer relations, working conditions, and salary proved to have greater potential to be dissatisfiers than satisfiers. These dissatisfiers are important and need the attention of employers. But the satisfiers—the motivators that are essential to spurring performance to higher levels—included achievement on the job, recognition for one's contribution or for a job well done, the work itself, job responsibility, opportunities for career advancement, and professional growth.

Abraham Maslow's (1970) study of human motivation should also inform policymakers who are intent on lighting a fire under professional educators. Maslow bases his theory on a hierarchy of needs to which all humans respond. This hierarchy ascends from basic needs (water, shelter, and food) to complex needs (advancement, growth, and achievement). Money, benefits, and job security appear at the lower end of the hierarchy. Merit pay systems that attempt to use money alone as a lever for improvement are more likely to cause educators who have other employment options to leave the school district than to strive for the desired results of their supervisors.

William Glasser (1997) presents an articulate explanation of human motivation through his Choice Theory. Glasser points out that all people are motivated to meet their needs for belonging to groups, maintaining a sense of self-efficacy or power, and having fun. These are natural and intrinsic needs that humans are driven to meet. When institutions use extrinsic motivation devices to manipulate their members, they often divert their members from meeting these intrinsic human needs. The frustration and anger that often

result are destructive to the organization. Ill-conceived reward systems that diminish employee loyalty and increase resentment toward management can cause incalculable productivity losses in organizations. Here again, money alone does not work as a motivator.

Perhaps no one has been more eloquent than the late W. Edwards Deming (1993) in addressing the destructive nature of extrinsic reward systems

> that squeeze out from an individual, over his lifetime, his innate intrinsic motivation, self-esteem, dignity. They build into him fear, self-defense, extrinsic motivation. We have been destroying our people, from toddlers on through the university, and on the job. (p. 124)

According to Deming, the forces of destruction include grade rankings; merit systems, particularly ones that categorize people; contrived competition among people within organizations; schemes for incentive pay and pay-for-performance; and numerical goals, targets, and quotas—without any guidelines on how to achieve them. These forces suboptimize the system and cause humiliation, resentment, and fear. Using such approaches also shifts the burden to produce results from management to the employees. Deming asserts that such practices belie the fact that more than 90 percent of the organization's outcomes are the result of the leadership and governance structure of the organization and not the effort of individual workers who work in the system.

Extrinsic reward systems create the illusion of employer control but at the expense of the full involvement and commitment of dedicated, enthusiastic employees. Extrinsic reward systems divert resources and energy from what is much more likely to move the organization to higher levels of performance. They discard the most valuable resources in the organization: the brainpower, problem-solving ability, and innovative thinking that every employee brings to the job.

## Dud Silver Bullets

A growing number of legislators, governors, mayors, superintendents, school board members, and business people advocate programs for merit pay or pay-for-performance. Their good intentions to make schools better often lead them to quick-fix solutions and seemingly obvious, but wrong, answers. Perhaps one of the biggest ironies encountered by school leaders is the ill-informed advice they receive, often unsolicited, from business leaders who proffer "real-world" solutions—like merit pay—to fix school problems. These business leaders are ignorant of the research literature that does not support such practices; ironically, these findings often come out of business leaders' own university-based business colleges. In some cases, unfortunately, the political leaders know better but cannot resist the temptation to scapegoat the less powerful members of the organization—teachers—and pander to an ignorant public and news media. And in the worst cases, leaders are so cynical about the public education system that they blame and punish employees as a way of diverting attention from the real, and typically more costly, issues confronting the schools.

Donald Campbell, Kathleen Campbell, and Ho-Beng Chia (1998) conducted a thorough investigation of merit pay systems. They concluded that pay-for-performance programs raise problematic issues related to measurement, performance appraisal and feedback, and the desirability of the rewards. For example, questions arise about the validity either of the instrument used to measure performance or the nature of the work. Attempts to address these issues through training or better measures fall short. Additionally, the researchers found that employees tend to reject most or all of the evaluation systems, regardless of what adjustments are made. Money, the key factor in such systems, is usually in short supply, so the potential impact of rewards is minimal and does not outweigh the negative effects of the merit pay system. Finally, the authors conclude that the implementation of merit pay systems becomes unwieldy, contributes to mission drift, and often leads to unintended consequences, such as enormous pay differentials between subordinates and supervisors, or the ignoring of work assignments that do not earn consideration for merit.

## Questions to Ask

Policymakers and school leaders are supposed to make changes that improve the education systems for which they are responsible. The penchant to move to action and make sweeping changes without proper policy analysis and policy development techniques contributes to the dysfunction of many school systems. The one-step-forward-two-steps-back method of creating education policy, so common today, is certainly irresponsible, if not unethical. Flashy or feel-good policies make the system worse. Policymakers, leaders, and deliberative bodies that are interested in investigating the value of merit pay systems should ask themselves these questions:

- Do I understand the nature of human motivation? Why have our teachers and administrators chosen to work in our school district? It is often difficult to tap into the employee's motivation for employment, and some appraisal and reward systems may even reduce enthusiasm for the job and productivity.
- Can a school district be run like a business? Do business practices readily transfer to a publicly held organization run by highly trained professionals with an educational mission? Do the culture and structure of a school district support or deter the use of business-like evaluation and merit systems?
- Is this evaluation and reward system fair? How would I feel if my employer instituted such a program at my job? Fairness in the design and implementation of appraisal and reward systems is both crucial and complex. The fairness issue will permeate any proposed system and must apply to the employee, the appraiser, the organization, and the organizational stakeholders, including students, parents, and taxpayers.
- Can my organization find an evaluation and compensation system that is not excessively burdensome and that operates effectively? Do I understand that some important job functions may not be measurable?

Do I understand that some elaborate evaluation systems may distract staff from their duties?

- Have I explored the unintended consequences of a new system? Organization leaders must be careful about what is rewarded in a merit pay system—because they will get it! Have I considered what won't get done because it doesn't count for merit pay? The goal is to move forward, not to suboptimize the organization.
- Am I clear about whom to reward? This central question must be part of policymakers' considerations. Will the system reward individuals or teams? Enterprises that are highly collaborative should be cautious about setting compensation systems in motion that promote destructive competition.

A candid discussion of these questions among policymakers, school leaders, and stakeholders will go a long way toward forming sound education policy. Employee evaluation and reward systems are complicated matters that require thoughtful deliberation. They have the potential to be as destructive as they are constructive. Our schools are too important to operate with misguided policies.

## References

Campbell, D. J., Campbell, K. M., & Chia, H. B. (1998). Merit pay, performance appraisal, and individual motivation: An analysis and alternative. *Human Resources Management, 37*(2), 131–146.

Deming, W. E. (1993). *The new economics for industry, government, education.* Cambridge, MA: Massachusetts Institute of Technology Center for Advanced Engineering Study.

Glasser, W. (1997). A new look at school failure and school success. *Phi Delta Kappan, 78*(8), 596–602.

Herzberg, F. (1987). One more time: How do you motivate employees? *Harvard Business Review, 65,* 109–120.

Kanter, R. M. (1987, March/April). Attack on pay. *Harvard Business Review, 65,* 60–67.

Maslow, A. H. (1970). *Motivation and personality.* New York: Harper & Row.

Peterson, P. E. (1985). *The politics of school reform, 1870–1940.* Chicago: University of Chicago Press.

# POSTSCRIPT

## Can Merit Pay Accelerate School Improvement?

After the Soviet Union's challenge to America's technological superiority manifested itself in the late 1950s, financial incentives were given to present and recruited teachers of math and science under a federal initiative. Currently, the "crisis" focus is on underperforming public schools located primarily in districts with high percentages of minority students. Some critics have made the argument that a maximum federal effort should be directed at schools with the greatest need in order to close the existing achievement gaps. This idea is elaborated upon by Cynthia D. Prince in "Attracting Well-Qualified Teachers to Struggling Schools," *American Educator* (Winter 2002). "Today," she explains, "both the ATF [American Federation of Teachers] and the NEA [National Education Association] favor offering locally-developed financial incentives to qualified teachers who choose to work in hard-to-staff schools."

In "The Teacher Shortage: A Case of Wrong Diagnosis and Wrong Prescription," *NASSP Bulletin* (June 2002), Richard M. Ingersoll offers an analysis of reasons why large numbers of qualified teachers are departing their jobs for reasons other than retirement. In "Why Are Experienced Teachers Leaving the Profession?" *Phi Delta Kappan* (September 2002), Barbara Benham Tye and Lisa O'Brien report on their survey of teachers who have already left the profession and those who are considering leaving. They found that those who had left ranked the pressure of increased accountability (high-stakes testing and standards) as the number one reason. Salary considerations ranked seventh. Of those who were considering leaving, however, salary considerations ranked first.

A stinging indictment of merit pay can be found in Maurice Holt's "Performance Pay for Teachers: The Standards Movement's Last Stand?" *Phi Delta Kappan* (December 2001). In it, Holt states, "Having done their best to demoralize schools and give the phrase 'testing to destruction' a new meaning, there's one last aspect of civilized education that the Standardistos have in their sights: the sense of trust and cooperation among teachers." Their ammunition: "competitive salary structures."

Further resources on the topic of merit pay for teachers include Lawrence Hardy, "What's a Teacher Worth?" *American School Board Journal* (August 2002); . . . Cynthia D. Prince, "Higher Pay in Hard-to-Staff Schools: The Case for Financial Incentives," *The School Administrator* (June 2002); . . . Sam Coleman, "Fault Lines in Merit Pay," *Rethinking Schools* (Summer 2008); and Jacob Vigdot, "Scrap the Sacrosanct Salary Schedule," *Education Next* (Fall 2008).