For more than a century, public education has worked under a single salary schedule that compensates teachers for college credits, education degrees, and years of experience, but not for their effectiveness in the classroom. (See Figure 1.)

In fact, research shows that the degrees, courses, and experience that teachers have, beyond the first few years of teaching, are unrelated to how much their students achieve. Furthermore, the current salary schedule does not normally take into account the fact that teachers work in schools offering different levels of nonmonetary benefits, such as a safe, pleasing environment. Nor does it recognize that students come to class with different levels of preparation and home support.

Paying all teachers with the same experience and credits the same salary also ignores the fact that graduates of different fields have vastly different alternative career options; think of a physicist compared with someone having a bachelor’s degree in elementary education. School administrators report that it is very difficult or impossible to fill elementary teaching positions about 6 percent of the time, while positions in math, physical
sciences, and special education are difficult or impossible to fill more than 30 percent of the time. According to the American Federation of Teachers, the estimated starting salary for teachers with a B.A., in 2003–04, regardless of discipline, was $30,496. The National Association of Colleges and Employers tells us that the average starting salary for accountants that year was $41,110, and for graduates in computer science, $49,691. (See Figure 2.) Starting salaries for mathematicians with a B.A., the year before, averaged $40,512; for physicists with a B.A. in 2002, according to the American Institute of Physics, $78,000. Is it any wonder that it is so difficult to hire and retain math and science teachers?

Extra pay for those in hard-to-staff fields would acknowledge the laws of supply and demand—greater opportunities for math or science majors bid up their earnings in other careers, so getting them into teaching requires competitive salaries. It would not mean that physics teachers are more important than elementary teachers.

In the current system, an increase for one teacher requires increases for all. If, for instance, we decided that our teachers are underpaid, as state officials from all parts of the country tell me, current practice would make a meaningful pay increase prohibitive. Just to bring the salaries in the below-average states to the national average would cost $8.5 billion—an amount that is fiscally irrational. It may seem like a meaningless argument, except that such an amount is dictated by the current uniform salary schedule, which requires those below-average states to raise each teacher’s salary. It would be much cheaper—not to mention more educationally effective—to raise the salaries of just the most-effective teachers, those deserving of the increase, rather than all teachers. Then there would be money available to give larger raises to the very best teachers.

It would be similarly impossible to bring all teachers’ salaries up to the average level of other professions. Why would we want to pay more to the least-effective teachers anyway? What we end up with, then, are paltry average annual increases (as teachers gain experience and course credits), ranging from the high of a $1,498 average increase in California to a meager $503 at the low end in South Dakota.

In the Madison School District in Arizona, the lowest salary for a new teacher with only a bachelor’s degree is $31,304 and the highest salary after many years and 72 postbaccalaureate credits is $57,251, an 82 percent increase over a career! Compare that with the legal profession, where the lowest-paid 10 percent earn less than $44,490 and the highest 10 percent earned more than $145,600—a 227 percent difference! The flat salary schedule for teachers is a good reason for those in Madison to welcome the stipends of $6,250 that the district offers to its “master” teachers, who take a leadership role among the faculty, and the bonuses averaging $3,400 to teachers who exhibit outstanding classroom performance and student achievement.
The traditional K–12 compensation system is obsolete in that it is no longer useful, but, sadly, it is not obsolete, because it is still in use.

The Teacher Advancement Program
For the past four years, the Milken Family Foundation, founded in 1982 and based in Santa Monica, California, has been working through its Teacher Advancement Program (TAP) in Madison and in more than 60 other schools—mostly elementary and middle schools and a few high schools—around the nation to change the way teachers are evaluated, helped to grow professionally, and compensated.

The TAP is a systemic reform of public schools intended to attract, motivate, develop, and retain high-quality talent in the teaching profession. It has four key elements:

• Multiple career paths allow teachers to pursue a variety of positions throughout their careers—career, mentor, and master teacher—depending on their interests, abilities, and accomplishments. As they move up the ranks, their qualifications, roles, and responsibilities increase—and so does their compensation. When teachers take on more responsibilities, they should receive more pay. The old career ladder programs failed because the best teachers were honored with new titles and more work, but with meager, if any, extra pay.
• Performance-based accountability evaluates teachers’ effectiveness through a comprehensive, research-based system that combines such criteria as position responsibilities, classroom observations, and students’ gains in test scores.
• Ongoing applied professional growth requires a change in the school schedule that allows time during the regular school day for teachers to learn, plan, mentor, and share with other teachers so they can constantly improve the quality of their instruction.
• Market-driven compensation allows schools to compensate teachers on the basis of their performance and the performance of their students.

One of the things we know is that there are few careers, except teaching, in which professionals are not held accountable for their failures and rewarded for their accomplishments.

Attracting—and Keeping—Effective Teachers
One of the things we all seem to know is that there are few careers, except teaching, in which professionals are not held accountable for their failures and rewarded for their accomplishments. So why, political constraints aside, do we insist on giving raises to reward a teacher’s longevity instead of his or her job performance?

For the past 17 years the Milken Foundation has worked with state superintendents to recognize and reward K–12 educators with a $25,000 gift—no strings attached—for outstanding and effective performance. Of the 1,977 recipients of the Milken award, we know that 1,653 of them are still working. Of these, 281, or 17 percent, have left their school buildings to take jobs at a district office (154), a nonprofit organization (47), a university (41), a federal or state government office (24), or a private company (15).

Unfortunately, we do not know whether this 17 percent turnover among Milken award recipients is better or worse than among those equally experienced and outstanding teachers who do not receive the awards. But we do know that 46 percent of all teachers leave the profession in the first five years and that, anecdotally, the Milken awards have created an aura of excellence about the profession that enhances the environment that our TAP research shows is so important to teacher retention. The very fact that these teachers have opportunities beyond the classroom increases the attractiveness of the profession as a whole.

However, when no compensating salary is awarded for teaching in difficult or undesirable schools, it is easy to understand why the best teachers may choose to teach in the most rewarding and pleasant environment available, moving from low to high socioeconomic status schools when the opportunity arises. Extra compensation is thus needed for those teaching in hard-to-staff schools where conditions are difficult, dangerous, or unpleasant. Defying that pattern, however, some very talented teachers in Arizona are moving from socioeconomically advantaged schools that are not using the TAP to schools of low socioeconomic status that are. Over the past three years, 61 teachers have started working at the two schools of lowest socioeconomic status in the Madison school district, both of which are using the TAP. Of these teachers, 13 (21 percent) have come from schools in high socioeconomic areas in Madison or nearby districts, and they are among the best teachers from the area. They are attracted by the more interesting professional development, the enhanced collegiality, and the opportunity to earn more by being effective.

We want teachers who love kids and want to help them learn, but that does not mean they cannot be interested in compensation as well. Physicians seek to prevent or cure diseases, and some lawyers seek to dispense justice, but that does not bar the best of them—but not all of them—from earning large incomes as well.
Student Outcomes Count
Teachers should be rewarded for producing useful student outcomes, most notably, student learning gains, measured by value-added standards (i.e., improvement) rather than by levels of achievement at the end of a course. This method takes into account differences in where students start as well as differences in out-of-school factors that teachers cannot control. Looking at gains rather than levels of achievement also adjusts for the fear that performance pay will make all teachers want to teach the highest-achieving kids. When student improvement is rewarded, there may be financial benefits to teaching students who have the longest way to go—it may be easier to get a 25 percentile gain from someone starting at the 30th percentile than a 15 percentile gain at the 80th percentile. Providing incentives for teachers to make their students learn more may encourage teachers to do so, but, perhaps more importantly, it will compensate them for the extra effort required to improve the skills that will help their students achieve.

Another issue involves incorporating a school’s nonacademic goals into a merit pay system. As we know, schools are expected to develop students’ social behavior, career preparation, and positive attitudes. The most hackneyed of these has been enhanced student self-esteem, which sometimes is used as a reason for not failing students who deserve to fail. Let it simply be said that a great way to enhance a student’s self-esteem is to have her achieve something academically. Holding teachers accountable for students’ academic achievement gains is not inconsistent with students’ accomplishing other things in school.

Standards without a Straitjacket
Despite the need to keep the focus on academic achievement, the Teacher Advancement Program acknowledges that research has identified pedagogical methods that help students learn, so it includes evaluation of classroom skills as part of its teacher compensation system. This allows teachers to be rewarded if they do everything right, even if their students’ scores do not increase.

A key to this part of the performance evaluation, of course, is developing clear criteria for measuring those classroom skills. Multiple evaluations are conducted by certified evaluators. This helps overcome teachers’ fears of bias and nepotism in their evaluations. Moreover, by including principals in the school-wide performance bonus system, they too will have an incentive to ensure that the most-effective teachers are rewarded.

Will such rubrics reduce teachers’ opportunities to be creative in their teaching, to try new approaches, to teach as they like? Probably not, because the other test of teacher competence is better student outcomes. Thus the rubric gives credit for the skillful exercise of proven teaching methods, regardless of student outcomes, as well as rewards for student success, regardless of teaching method.

Fix the Whole System
The initial success of these performance- and responsibility-based compensation systems suggests that there are alternatives to the traditional “step-and-column” pay in which no one will earn less than in the traditional system. All teachers who reach certain goals get a bonus; but 50 percent of that bonus is awarded for teaching skills (a classroom-based evaluation) that are not tied to student outcomes and 50 percent for student achievement gains that are not part of the teaching skills evaluation. Furthermore, half of the student outcome bonus is based on school-wide gains and half on gains by an individual teacher’s students.

In the three years that we have been using the TAP system, we have found that the school-wide rewards part of the bonus encourages teachers to work together to make everyone more effective. There is the possibility of the “free rider,” of course: ineffective teachers reaping benefits from the achievements of their more-effective colleagues. Thus we expect part of the bonus to be based on individual teacher results. All bonuses must be significant or the extra work involved in implementing such a system will not be deemed worthwhile. That means, for instance, that a master teacher in Madison, Arizona, could get a bonus worth as much as 17 percent of his or her salary compared with the 2–3 percent bonus that current salary structures usually set as a cap for such expert teachers.

We have learned that performance pay alone is not enough. It must be supported by a strong, transparent, and fair evaluation system, and by a professional development plan that helps teachers to deal with revealed deficiencies and to improve. Teachers may resist evaluation not because they are unwilling to be held accountable, but instead because they fear they do not know what to do to improve student achievement. If professional growth opportunities are available to help teachers improve, the resistance to being evaluated fades.
A professional development program should use student data to identify areas where teachers need help. It should then have teachers help other teachers improve their teaching and student learning. This fosters collaboration and reduces the competitive attitudes that some fear are engendered by performance pay. Indeed, as long as my receiving a bonus does not preclude anyone else’s getting one also, fears of competition and failing to collaborate go away. At schools using the TAP, striving for the annual performance awards improves teaching and enhances collegiality and morale.

One cautionary note: Most school districts are constantly trying to get more money for their teachers. So some will agree to a performance pay plan, but then transform it into an across-the-board salary hike: defining high performance as things everyone does (taking classes toward an advanced degree), setting standards so low that everyone gets the maximum award, or giving all teachers the same evaluation. Districts must guard against such behaviors.

We have learned that performance pay must be supported by a strong, transparent, and fair evaluation system.

Can It Last?
Merit pay plans are expensive, especially if the performance awards are added to the salary schedule, so there are questions about whether the extra funds will continue to be available during the next economic downturn. What if the superintendent or school board turns over? Will results be demanded too quickly, and will the program be discontinued if test scores do not rise in a year or so?

Establishment of a dedicated funding source, such as an increase in the property tax levy or sales tax, could ensure sustainability. The former has been accomplished in Eagle County, Colorado, and the latter has the potential to support performance pay in the state of Arizona, where voters passed a law in 2000 to raise the sales tax by $0.006 and dedicated 40 percent of the proceeds to performance pay. In fact, most districts in Arizona ended up defining performance pay in ways that gave all teachers the same increases (for example, by allowing more course credits to fill the requirements for merit-orious work). The district using the TAP was one of the few that actually used the money for real performance pay. The bottom line, though, is that support and advocacy by teachers is key to sustainability.

Although many teachers initially view performance pay and accountability as contentious issues in reform, absolute levels of acceptance for all the principles embodied in the TAP are high. Since the inception of the TAP, surveys of teachers’ attitudes toward the elements of the program show that collegiality and teachers’ satisfaction have remained strong in the schools using the TAP. This finding refutes many who argue that pay for performance leads to increased competition and divisiveness. These attitudinal results reflect the holistic approach of the TAP, which combines an accountability system having clear rewards and a professional development system to support all teachers (veteran and novice) in improving their classroom instruction.

Another important way to ensure sustainability is to show that the program is working. There is always the fear that results will be demanded too soon, and then the program will be discontinued if test scores do not rise in a year or so. We now have three years of results from TAP schools in Arizona and two years from TAP schools in South Carolina. We compared 25 year-to-year changes in student achievement in TAP schools to control schools. In 17 of these cases, or 68 percent of the time, the TAP schools outperformed their controls. This compares favorably with the results of a RAND evaluation of schools that have initiated other comprehensive school reform programs. RAND concluded that 50 percent of the schools with these reforms outperformed the control schools in math and 47 percent outperformed the control in reading, although these schools had been operating for a substantially longer period of time than the schools using the TAP. One important anecdotal explanation for the success of the TAP is that teachers in schools using the program improve significantly because their performance evaluations are related directly to TAP teaching rubrics.

Any pay-for-performance plan in K–12 education will succeed only if teachers buy into it from the start, if it is fair, and if it is embedded in a systemic reform that supports all aspects of performance reward, especially those that encourage teachers to become better at their craft. Such a pay plan will be revolutionary, but will not become obsolete in any sense of the word.

Lewis C. Solmon is executive vice president, education, at the Milken Family Foundation and director of its Teacher Advancement Program. He is the former dean of the Graduate School of Education at UCLA.