

National Implications

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EXCERPT FROM JANUARY 2004

CATALYST FOR CHANGE
PAY FOR PERFORMANCE IN DENVER

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A. Introduction

Linking what teachers earn to what students learn can be a major lever in support of fundamental systemwide change in school districts. Pay for performance—when well implemented—has the salutary effect of requiring a *district* to operate in a much more effective and efficient fashion in support of student learning. That is to say, changes in district practices that are necessary to advance pay for performance also directly support quality teaching and enhanced learning.

Based on this premise, the following discussion has four purposes. First, it lays out the core considerations for districts when undertaking pay for performance initiatives. Second, it identifies the types of assistance districts characteristically require to redefine traditional roles, practices, and policies. Third, it presents lessons for philanthropy that have emerged from the pilot. Lastly, it presents philanthropic strategies for extending the potential and reach of pay for performance.

B. Core Considerations

Support and accountability are the twin pillars of sustainable reform in school districts. Embracing either one, to the exclusion of the other, is essentially selecting one form of myopia over another. The potential power of pay for performance is in focusing on both support **and** accountability; and in so doing, making it integral to critical reforms in public education. To be successful, though, districts need to learn from the failed attempts of the past and to overcome the skepticism and barriers related to tying individual teacher performance legitimately to student achievement. For districts preparing to head in the direction of pay for performance, the following considerations can be the keys to success.

Process

Pay for performance functions best when it reinforces a district's core goals. It is not a freestanding program or an adoptable model. Accordingly, the basic elements needed to undergird any customized, systemic reform have to be considered when launching a major district initiative which links student achievement to compensation. These elements include:

- *Collaboration.* Providing substantive opportunities for teachers and principals—not only their leaders—to shape, steer and influence the initiative refines the process and strengthens the outcome. Collaboration must be present from the start of the effort through all phases of the design, development and implementation. Simply put, pay for performance imposed by a board or district leadership erodes the potential to develop real accountability.
- *Trust.* A high level of trust is required for any effort that seeks to link student achievement, adult performance and evaluation, and compensation. Participants need to be convinced that the initiative is intended to be supportive of teachers, rather than punitive. Therefore, on the front end, the initiative needs to build trust among diverse constituencies. This includes the trust between the schools and the district, between principals and teachers, and between and among teachers.
- *Communication.* Major initiatives are frequently derailed by gaps in information and communication. Indeed, in the field of public education, the forces of misinformation are often greater than the forces of accurate information. In an era when accountability often takes the form of a hammer on perceived underperformers, it is essential to craft, carry out, regularly review and strengthen a communications

strategy.

- *Phases.* Pay for performance is a marked departure in culture and practice for school districts. During implementation, it will stretch the support capacities of a district. It should be introduced in phases so that the district will have the opportunity to make mid-course corrections and improvements as necessary. Otherwise, the distinction between the intent of the initiative and how it is being implemented will get lost. When this occurs, participants will blame and subsequently oppose the initiative; this is a recurring pattern over many years in American education.
- *Relation to Collective Bargaining.* Teacher unions are taking leadership in the performance pay arena and their commitment to the design and implementation of an initiative is essential. Nonetheless, during the developmental phases, the initiative should be discrete and separate from the negotiation process. When implemented thoughtfully, pay for performance focuses on core conditions affecting teaching and student achievement. Collective bargaining focuses on working conditions. If the two dovetail too quickly the confidence in pay for performance will be undermined.

Purpose

From the outset, it is essential to be clear on the purpose of the initiative; this significantly affects the results. With many performance-based initiatives, multiple purposes often compete, pulling the initiative in different directions. For example, the goals of building a new compensation plan or changing professional development may sometimes work against the goal of improving achievement. What then occurs is that the focus on improving student achievement becomes blurred or merged with other purposes, leading to confusion on the part of teachers and administrators and competition among district priorities. There needs to be real clarity on what will be rewarded and why.

Link of Student Achievement to Compensation

When the primary purpose is to improve student achievement, the initiative becomes easier to understand, implement, support and evaluate. As just one example, if the purpose is *increasing* student achievement, the clear tie to the delivery of instruction and to motivating students becomes vitally important. Then, the need to provide sustained support to classroom teachers becomes paramount. When this is not the primary purpose of the initiative, the entire emphasis on student learning can become muddled or lost. Then, pay for performance often deteriorates into a failed effort to create incentives for teachers. Student achievement needs to be both the driver and end result; this cannot be overemphasized.

Data and Assessment Capacity

Pay for performance puts new demands on teachers. For example, it demands that they pay attention to the starting places of each of their students in various subjects—that they study the data and understand each student’s status—and that they build lessons and interventions based on this knowledge. The specific identification of each student’s status at the beginning and end of the school year, and over multiple years, is required for the purpose of measuring the results. An understanding of student academic progress is required for the teacher to develop appropriate lessons.

Such requirements of teachers, in turn, place demands on the district that may be surprisingly difficult to meet. If teachers are to work with data, for example, they must have that data available to them at the beginning of school in a form that is timely, usable and complete. In most districts, this has not been a requirement in the past. Even in the current era of *No Child Left Behind*, most districts are initially unable to meet this demand. As this problem is addressed, it helps advance pay for performance, while also helping all schools and all teachers. This kind of data capacity in support of pay for performance is critical for its success.

Assessment is necessarily at the core of any pay for performance initiative, as it is for much of the school improvement and accountability efforts being attempted across the nation. Indeed, the requirements of an assessment system under pay for performance are essentially the same as for implementing *No Child Left Behind* or any effort which seeks to link student and teacher performance.

The potential of performance-based initiatives can be undercut if assessment-related issues are overlooked. Too frequently, the purposes of the assessments are unclear, assessment results are inaccurate, or the interpretation applied to test results exceeds what may legitimately be inferred from those results. These problems are serious enough when assessments carry high stakes for students. When you add teacher compensation to the stakes, the need for reliable assessments—fairly constructed and accurately interpreted—becomes even more critical.

Several key considerations regarding assessment are indicated below. This listing is not intended to be exhaustive. Rather, it highlights pivotal challenges which can be addressed and which should not be allowed to serve as barriers to undertaking pay for performance.

1. *Student Growth.* In a pay for performance system, a district must base its evaluations of teacher performance, in part, on student growth. Its assessments must measure individual student growth. Many state assessments speak of growth, but are used to compare one group of students—one class of 4th or 7th graders—with the previous year's class. While this kind of assessment often provides valuable information, it compares different groups of students and does not reflect the growth of individual students. To the extent that one group of 25–30 students differs from another, which can be considerable, these groups cannot fairly be compared to each other, and do not describe the success of a teacher with his or her class of students.

2. *Baseline Data.* Measuring student growth assumes a starting point and an ending point. A student's reading level at the end of fourth grade may be an absolute, but without knowing that student's prior reading level it is not possible to infer from a single score how much the student's reading has improved or what has been the contribution of that student's teacher. For this reason, there must be baseline data for each student, as well as for any broader comparisons that are undertaken.

3. *Link to Curriculum and Instruction.* If an assessment does not measure what was taught, it cannot be said to reflect a teacher's contribution to what was learned. Thus, assessments that may be generally useful in gauging student knowledge may not be useful measures of teacher effectiveness. Similarly, if the teacher does not teach to the curriculum, even an assessment aligned to the curriculum does not measure teacher effectiveness. The latter is an issue that would have to be addressed administratively.

Validity

There are three kinds of validity that pay for performance—and any program measurement—must address. First, there is statistical or scientific validity. Whatever measures are reported or actions taken should be the result of assessments that are measured using statistically valid methods. While this point seems obvious, many states, districts and even test companies fail the test of statistical validity in the inferences they draw from their tests. Statistical validity is difficult to achieve at the classroom level, since the numbers of students are small and the possibility that a variation may be attributable to chance or aberrant scores is correspondingly great. There are various approaches to addressing this problem, including using multiple measures of achievement and/or multiple years of a teacher's results. While these methods add some complexities to the process, they can be used to increase the statistical validity of an assessment, making it both fairer and more useful.

Second, there is educational validity. It is possible for statistical results to support practices that are not educationally valid, at least in the short term. It is also quite possible for educationally sound practices to be difficult to measure or prove statistically. Any initiative put into place must also satisfy what is known about how students learn: it must have educational validity.

Third, there is political validity. This becomes extremely important if comparing scores on standardized tests is one of the methods being used to gauge teacher success. Even where results are significant statistically, they may not be perceived as legitimate. If teachers perceive that measures being used to partially determine their compensation levels are not legitimate, no amount of statistical validation will be of value. Political validity—the *perception* that the system is fair—is critically important at every step of the development process.

Organizational Alignment

If the purpose of the initiative is increasing student achievement, the organization must align itself around that goal in a much clearer and more effective manner than is often the case in school districts.

A pay for performance system demands that a district's standards, curriculum content, instructional delivery, professional development, data capacity, assessment, supervisory and human resources be aligned. This is frequently not the case. Numerous failed reforms nationally have been based on the notion that single components of a district's practices can be altered in ways that will change the rest of the system. However, the issue of alignment reaches far beyond organizational structures or the currently popular intervention of the day. It cuts to the very essence of how—and to what extent—the school district is functioning systematically in support of student learning. Addressing the issues of organizational alignment is pivotal to the initiative's prospects for success.

Professional Development

Professional development is a critical component of successful change. In a pay for performance plan, it is also critical to the success of the plan itself. The expectations of pay for performance include that teachers and principals obtain student achievement data, analyze the results, and tailor instruction both to the curriculum provided and the students' abilities and needs. This requires that the teachers and principals have the appropriate data available, and that they are able to understand and interpret the data accurately, identify student needs, set appropriate learning objectives, and structure lessons accordingly. In our experience, however, even excellent teachers may not have all of these skills, particularly those relating to data. To fairly gauge a teacher's instructional ability, therefore, professional development is required.

Professional development may also be required in standards-based instruction, differentiated instruction, or other related skills. Providing professional development in each of these areas enhances and reinforces the fairness, effectiveness and accuracy of the pay for performance initiative. It also increases the likelihood of increasing student learning, by addressing critical gaps in the instructional process.

Costs

The range of costs connected to implementing pay for performance initiatives and making systemic changes take two forms. First, there are costs that are financial in nature. These result from new fiscal outlays such as salaries, equipment and additional staffing. School boards, unions and superintendents are highly familiar with the financial costs of change. Second, there are costs related to changing practices. These are non-financial in nature and frequently underestimated. They include the institutional costs of reordering district priorities, functioning with higher levels of inter-departmental coordination, operating with a greater sense of urgency and reallocating existing funds. With an organizational priority as far reaching as pay for performance, it is essential to have short- and long-term projections of the financial and non-financial costs of implementation.

C. Services and Assistance

An extensive range of capacities is required to implement pay for performance effectively. The problem, though, is that most districts lack this breadth of capacity. As a result, there is a repeated national pattern of district misfires as they launch new initiatives. This is not a function of poor intent. Rather, it is because districts need assistance to develop new capacities as they plan and implement major initiatives. Absent such support, the already serious challenge of implementing pay for performance is exacerbated.

Districts require assistance in the multiple phases of conceptualizing, developing, implementing and evaluating a pay for performance initiative. The following highlights several of the substantive areas in which responsive technical assistance can markedly increase district capacity. This listing is representative, rather than all-inclusive.

Identify initial levels of readiness and capacity

An essential, often overlooked step in preparing for pay for performance is to conduct a district assessment. This includes building the base needed to:

- Identify key participants for the buy-in, design, implementation and policy approval phases.
- Assess the district's current level of readiness to pursue a pathway of fundamental reform.
- Determine the district's current performance and capacity in the areas needed to support and implement pay for performance.
- Assess the current process for teacher evaluation.
- Determine the district's ability to link student and teacher data.
- Identify the key constraints—legal, cultural, district rules and policies, existing contracts—that may affect the prospects for pay for performance.

Customize the design and implementation strategy for pay for performance

Pay for performance needs to be approached systematically. However, many districts have gone down this path with a series of tactics, but in the absence of a strategy. As a result, they have lacked the ability to be anticipatory and to overcome obstacles that emerge during implementation. Assistance is needed to:

- Develop a district-appropriate definition of pay for performance.
- Align this initiative with district goals.
- Determine the structures and participation necessary to design and implement the initiative.
- Introduce and support pay for performance as a vehicle for promoting and supporting improved student achievement and quality teaching.
- Define project plans and phases, targets, resource requirements and timeframes.
- Establish project management goals, benchmarks and reports.
- Define and communicate the accountability mechanisms.
- Secure requisite internal and external resources.

Build the base of institutional, constituent and community support

Pay for performance requires a broad base of support, both within and from outside the district. Internally, it can only succeed with significant buy-in from teachers and principals. It also requires commitment from the central administration. Moreover, it must be one of the highest priorities of the superintendent, the school board and the teachers union. Externally, community and corporate support are necessary, both to help overcome entrenchments within the district and to provide long-term financial support. Eventually, it must be approved by teachers throughout the district and by the school board.

Building this base of support requires the ability to conduct consistent, sophisticated communications and community organizing. This, in turn, necessitates assistance that develops the capacities to:

- Prepare and implement a coordinated communications strategy.
- Build a district- and community-wide understanding of pay for performance.
- Provide outreach to external grassroots and institutional constituencies, and the media.
- Train constituent groups (board members, teachers, site administrators, union officials, central administrators, parents, community members and other external parties) in understanding the design and implementation phases of the initiative.
- Provide avenues for ongoing constituent input, participation and response.
- Demonstrate the improvements in learning, teaching and organizational support resulting from the initiative.
- Respond rapidly to clarify any major areas of confusion regarding the initiative.

Strengthen district data capacity

A critical challenge when implementing a compensation system based on student achievement is to determine the extent of learning and progress district-wide, school by school, classroom by classroom, and student by student. The district needs to know which students are succeeding, which students are not succeeding, and why. This knowledge is essential for realigning district resources based on the needs of children at each individual school site and for establishing expectations to which everyone in the district will be held accountable.

Assistance is needed to train key staff in the development of a comprehensive district accountability system. This specifically focuses on building the capacities to:

- Identify actual and relative school performance.
- Disaggregate district performance indicators by various student-related subgroups such as socioeconomic status, race, ethnicity, mobility, etc.

- Identify the student subgroups that have the greatest needs and represent the greatest opportunity for improvement—e.g., those whose performance is substantially below that of the best performing subgroup.
- Calculate the performance of the various groups at select schools through a process that can then be applied to all schools.
- Analyze similarities in results among high-performing schools and the differences in results between the high and low performing schools.
- Disaggregate data by grade and classroom to provide comprehensive, multi-year individual student growth data to teachers.
- Focus on longitudinal analysis based on individual student growth.
- Involve principals, teachers and parents in developing the data presentation formats.

Design the compensation plan

This focuses on all aspects of developing, field-testing, finalizing and engendering support for a new district direction for compensation. It includes building the capacities to:

- Evaluate the current system of salaries and benefits.
- Examine different kinds of compensation systems within both the corporate and public educational sectors.
- Differentiate between the myths and realities of such systems.
- Evaluate the impact of different approaches to teacher compensation on student achievement.
- Identify relevant, effective practices.
- Craft a customized, pay for performance component in the compensation system.
- Assess the plan's financial implications.
- Determine the vehicles for making the transition from the existing, negotiated salary schedule to the new plan.
- Build appropriate expectations within the district.

- Determine the strategy for field-testing and improving the new design.
- Ensure that the implementation of the plan can withstand leadership changes.

Build leadership and organizational alignment

An expanded base of leadership is needed to develop, implement and make mid-course corrections to the pay for performance initiative. Leadership is particularly needed—at school, district and policy levels—to ensure that the school district is aligned in support of pay for performance.

This necessitates building the capacities to:

- Analyze and strengthen the alignment between school and classroom goals, curriculum content, the planning and delivery of instruction, assessments, professional development and compensation.
- Integrate and upgrade the student information and human resources data systems.
- Identify and address gaps in the existing supervisory and support structures.
- Incorporate student achievement trend analysis into board program and policy decision making.
- Link the emerging pay for performance initiative with the requirements of the *No Child Left Behind Act*.
- Create new expectations for performance throughout the district.
- Redefine roles and clarify changes in responsibility.
- Evaluate leaders using measures which include student achievement.
- Train principals and central administrators in the development and interpretation of individual and school level student achievement data focusing on the growth of individual students and school trends.
- Integrate and coordinate the systems for teacher evaluation, support and recognition with student achievement being both the driver and end result.

Establish a comprehensive professional development strategy

The precursor to such a strategy is to conduct a rigorous professional development audit. This will provide a detailed analysis necessary for re-allocating and deploying existing resources. The components of the audit should include: (1) defining the initiating events for the professional development, (2) detailing training offerings, (3) assessing the content of the training, (4) assessing the frequency of the training, (5) identifying the recipients of the training, by session, (6) identifying the subsidy source, (7) identifying the subsidy amounts, (8) assessing the providers and the number of staff involved, (9) examining the providers in terms of their placement within the organization, (10) reviewing quality indicators and determinations, (11) evaluating the level of mastery demonstrated by those trained, and (12) determining the overall impact of the professional development provided.

This information then becomes the basis for preparing the district's professional development strategy and aligning it with instructional goals. Using this approach, the district is better able to provide school sites with professional development based on actual student achievement results and the differentiated needs of the school sites—a sound educational practice. Moreover, particularly during a period of fiscal austerity, it enables a district to better target resources to improve student achievement.

D. Foundations

When seeking to invest in public schools, foundations have often followed the pattern of making incentive grants available for purposes of planning and implementation. The applicants characteristically must follow foundation-defined templates and priorities. Initially, a modest number of schools or districts secure funds for a time-limited planning period. Subsequently, they apply for larger grants; the foundation then selects a smaller number of these schools or districts for a multi-year implementation period.

As a recurring approach to educational philanthropy, particularly at the national level in recent decades, it characteristically produces a dynamic that generally falls short of the intended results. It

encourages short-term responses to a grant incentive, rather than fundamental change. When the extra funds and special dispensations are no longer available, the system returns to earlier patterns of practice with little or no progress made on the problems and behaviors that the philanthropic institutions hoped to address. Various philanthropic requirements such as requiring matching funds or embedding new concepts in contracts have not changed this basic outcome. Simply put, the way the system thinks and behaves does not change.

A new form of philanthropy more wisely follows a different path. It is sensitive to the need to not impose foundation priorities from above. Yet it is also careful because pursuing a primarily bottoms-up approach carries with it several cautionary red flags and distinct gaps, including the lack of district commitment to the initiative. Supporting new ventures and advocating for fundamental change requires a creative, concurrent top-down, bottoms-up philanthropic strategy.

Venture Capital

Achieving different results requires new ideas whose implementation can be tested and critically examined. This, in turn, can only be achieved with a different approach to philanthropy. With philanthropic leadership, a significant change was advanced in Denver. Rather than invest in the model program currently in vogue or a foundation-created construct, a blend of local and national funders invested in a far-reaching district and union experiment with a concept, pay for performance.

This is one of the rare examples of foundations applying the approach of venture capital to public educational giving. The foundations took significant risks in supporting the field testing and study of an unproven venture linking teacher compensation, in part, to student achievement. While the potential for district learning and change was great, so too was the potential for public embarrassment for the foundations. Embarking upon this direction required leadership—a critical element for achieving philanthropic impact

Throughout the pilot, the foundations sustained their giving, while concurrently broadening their own knowledge as well as those of the district. In

describing the philanthropic community and the district, one foundation executive noted, “I don’t think any of us, including the administration, really correctly estimated the size or amount of work entailed in this project.” Another added, “We all have learned that this subject is a lot more complicated than we first thought. The system has also learned a lot from this effort.”

The definition of success also expanded as the pilot achieved greater reach into the system and encountered barriers to progress. An executive director of a foundation commented, “Success is not just a blanket commitment to Pay for Performance. Success is measured by how much learning occurs and whether the learning is used to make positive changes.”

Results: Research as Driver

The venture capital support was triple-tiered, supporting direct services (e.g., communications), a range of technical assistance, and the research study. The latter was particularly stressed due to the philanthropic emphasis on having district actions be based on learnings. A leader of a local foundation states, “Regardless of whether [a new compensation] plan passes or not, Pay for Performance will have an impact. The vote will not be the final word.... [the foundation] gave the money so that district leadership could learn. They need to get beyond the usual inertia.”

Just as pay for performance focuses on results, the foundations also stressed results. When research produced findings and recommendations, the foundations wanted to see follow-up action. This, in turn, helped internal district reformers to introduce changes. Another foundation leader comments, “In this field, no distinction is made between an educational concept and the execution of the concept.... What to do in education is up for grabs. The impact of this project is important and designates a new time and age.... The challenging of district personnel and the system as a whole is reshaping the district.”

It requires a delicate balance to push grantees and their beneficiaries for results, yet avoid functioning as *de facto* operating foundations. Particularly in the area of national school reform, this quandary has been problematic for many foundations. Consequently, they have created

accountability and partnership mechanisms which grantees are characteristically required to use. Beyond their varying levels of effectiveness, these have often been received as imposed mechanisms. Differing from this approach, the Pay for Performance supporters urged parties to collaborate, joined in the collaboration when asked and provided additional support when gaps or deficiencies in the pilot were revealed. However, the mechanisms for leadership and accountability were neither created nor imposed by the foundations.

Establishing the Context

Districts exist in a larger context—equally as political as educational—which needs to be influenced and shaped to create an environment that is more open and conducive to a change as significant and far-reaching as pay for performance. Indeed, in our meetings with policy makers, district leaders, funders, commentators and the media, it is notable how opinionated most parties are on the topic of pay for performance—regardless of their base of factual information. It is reminiscent of the old axiom that it is incredible what conclusions you can draw if you do not bother to let the facts get in the way. This has serious implications for experiments with pay for performance.

Foundations need to take an expansive approach consistent with their core belief in the fundamental importance of improving public education. The need is to create a local and/or national context in which trailblazing districts and unions can explore and experiment with needed avenues for major change. This will build on a foundation's rightful goal of supporting local initiatives (without imposing its priorities on the field), while shaping the context for Pay for Performance or comparable initiatives in ways that will enhance the prospects for significant—and critically needed—success.

Recognizing there is controversy surrounding and opposition to these issues, foundations can use their pivotal philanthropic role to help re-shape the context, climate and discussion of performance-based improvement strategies. By creating safe havens for disagreeing or conflicting parties, highlighting the need for actions in response to research findings, and being committed for the long haul, foundations can greatly expand the reach of their philanthropy and the impact of systemic initiatives such as Pay for Performance.

Differing dramatically from traditional educational philanthropy, this approach is rooted in venture capital. It focuses on fundamentally changing conditions and enabling school districts to move in new directions. This directly supports the goal of ensuring that students—and those who contribute to their achievement—are the direct beneficiaries of the improvement efforts.

E. Summary

There are a range of factors that must be considered when developing and implementing pay for performance initiatives. Such efforts can result in a new approach to rewarding teachers, whether that consists of small bonuses or a large restructuring of the compensation system. Most significantly though, these initiatives can be a catalyst for aligning district resources, actions and expectations in support of the overall goal of increasing student achievement and supporting teachers. In this way, pay for performance can provide a basis for improving the entire school system by tying district activities to core classroom needs. When the school *system* is functioning in a much more organized and effective manner in support of better teaching and enhanced learning, pay for performance can become a vehicle for increasing student achievement—the bottom line for school reform.

Notes

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