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"Simply put, we cannot have better schools until we have better teachers."

**Compensation Reform as Teaching Improvement Policy**

Neil D. Theobald

**Background**

Educating children is a labor-intensive enterprise. As such, teacher compensation is central to addressing educational improvement. First, teacher salaries represent the largest expenditure category for K-12 schools, typically making up over half of school district budgets. Second, a growing body of literature suggests that teacher quality (e.g., subject matter knowledge, cognitive ability, selectivity of college attended) can have a significant effect on student learning. For example, Hanushek, Kain, and Rivkin find that variations in teacher quality explain at least seven percent of student test score differences. Thus, educational policy makers have come to recognize that efforts to improve elementary and secondary education will critically depend upon our success in developing teacher compensation structures that attract, recruit, and retain capable people in the teaching profession. Simply put, we cannot have better schools until we have better teachers.

The Role of Educational Reform

Lessons from previous reform experiences suggest that policy makers in the twenty-first century face a formidable task in devising strategies that will improve the quality of our nation’s teaching force. The last two decades of reform were set in motion by commission reports such as *A Nation at Risk,* which sought to use state regulatory power and additional financial resources in a direct attack on schooling problems— including teacher quality. A key assumption underlying this first wave of reform was that teachers should continue to organize their classrooms as they had always done, only do so harder and faster, and with stricter state scrutiny. Evidence quickly surfaced, though, that added bureaucracy and more centralized control did not improve teacher quality or lead to improved student achievement and may have been counterproductive in addressing this problem. A second reform approach ensued, seeking to reduce bureaucracy and decentralize decision making. Teaching was even more centrally the focus of this “wave”.

Reforms began to focus on the structure of the teaching occupation and the overall structural features of schools. Thus, teachers’ salaries in many states and districts were raised: teachers were often provided with some additional decision making authority; and, to a lesser extent, opportunities were created that would allow teachers to advance professionally without leaving the classroom. The limited achievements resulting from these efforts to institute reforms such as school-based management and teacher professionalism spurred the current third wave set of reform that seeks to improve the quality of teaching. These reforms emphasize better teacher preparation, greater accountability, and incentive systems attached to performance levels. An emphasis in this current reform effort is changing teacher compensation structures. The cornerstone of this reform is that “compensation systems should begin to pay individual teachers for knowledge and skills” rather than solely on the basis of teaching experience and teacher degree level.

The Role of Teacher Labor Markets

General trends in teacher career paths over the last several decades also suggest that policy makers in the twenty-first century face major challenges in constructing and implementing policies to enrich the nation’s teaching force. The career paths of teachers are characterized by the high percentage of individuals that leave the classroom after only a few years in the profession. More than two-thirds of the full-time teachers who started their careers in the Michigan public schools between 1972 and 1975 were no longer teaching in the state during the 1984-85 school year. These results mirror attrition patterns reported in different geographical regions and in different time periods.

High rates of teacher turnover thwart efforts to improve the nation’s schools in at least three ways. First, high turnover rates neutralize ongoing efforts to improve schools through the enhancement and reform of teacher preparation programs. The increased investment in the human capital of new teachers could be wasted if decision makers do not concurrently implement policies to improve the likelihood that these better prepared individuals remain in the profession. As John Goodlad observed, “Talk of securing and maintaining a stable corps of understanding teachers is empty rhetoric unless serious efforts are made to study and remedy the conditions likely to drive out those already recruited.”

Second, effective schools are distinguished by staff stability, continuity, and cohesion. In addition, the ability of less effective schools to attract and retain capable individuals is significantly eroded when local teacher salaries fall relative to salaries available in other local labor markets.

Finally, the art of teaching children is a developmental process involving a complex set of skills, many of which can only be well honed on the job. While better pre-service teacher education can begin the process of improving teacher quality, research clearly shows that inexperienced teachers continue to sharpen their talents and become more effective teachers during the first few years in the classroom. The continual need for school districts to hire new, inexperienced teachers to replace teachers who leave after a very short teaching spell “can only hinder these districts efforts to improve the education they provide.”

The Role of Teacher Compensation

While previous research finds no consistent relationship between teacher compensation and student outcomes, it does provide compelling evidence that teacher compensation has a marked impact on teacher career choices. Surveys of college freshmen show that the percentage reporting a preference for pursuing a career in teaching increases during periods of rising teacher salaries and falls during periods when salaries are losing ground. After these students finish their studies, teacher salaries have a marked effect on the number of college graduates who enter teaching. Once they are in the profession, teachers leave the profession when local teacher salaries fall relative to salaries available in other local labor markets. Additionally, individuals with better opportunities in the labor market—teachers with high standardized test scores and those graduating from more selective colleges— are the most likely to leave.

On the basis of such work, the current wave of education reform has emphasized the role that teacher salaries play in deterring a larger number of quality teachers from entering and remaining in the profession. In

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1999, the average starting salary in teaching was $26,639 compared to $37,194 for other professions requiring similar levels of education. Over the last five years, beginning salaries for non-teachers increased at nearly twice the rate as did beginning teacher salaries [28.1% versus 14.7%]. Those who consider a career in teaching must weigh intrinsic rewards against lower salaries and often difficult working conditions.31

Thus, for school improvement efforts to be successful in the twenty-first century, they must place a renewed emphasis on developing teacher compensation structures that recruit and retain qualified individuals in teaching. The structure that these efforts can take is quite varied. For example, “third wave” reformers are encouraging states to institute pay-performance plans that link financial rewards to student achievement.32 This is a marked change from earlier compensation strategies that focused on narrowing salary differences across school districts. Both of these strategies, in turn, differ from the historical pattern of allowing each local school board to set teacher salaries at whatever level, and in whatever way, was agreeable to the district’s taxpayers and to its employees.

These compensation structures clearly differ in how they intend to shape the norms under which teachers operate. An important, but less clear point, is that these structures not only seek to affect the norms and values held by teachers, but they also reflect norms and values held in the larger society. Thus, a potentially useful way to organize discussion of these structures is to categorize them on the basis of the dominant social value they embody. By focussing on the purposes these reforms seek, policymakers should be able to more clearly identify the key assumptions underlying each approach.

Distinguishing Among Approaches

This paper follows the lead of Garms, Guthrie, and Pierce,33 Boyd,34 and Monk in treating equity, efficiency, and liberty “as the basic and fundamental goals that societies pursue when resources are allocated for education.”35 While it is much too simplistic to argue that a compensation system seeks to further only one of these aims, Mitchell and Encarnation find “a strong historical tendency for states to pursue only one goal at a time, neglecting or suppressing the others.”36 One way to distinguish between different teacher compensation structures, therefore, is to see them as implicit endorsements of one of these three competing values.

Liberty-Enhancing Structures

Traditionally, the states’ focus in teacher compensation has been to promote local autonomy. By leaving these decisions to local school boards, states sought to provide freedom for school districts to adapt to the diverse conditions they face in the communities in which they are located. More recently, proposals have focused on sending additional teacher compensation resources to school districts through school funding formulas with the distribution of these funds among schools within a district determined by the extent to which individual schools meet locally-established goals. This focus on local goals and processes seeks to promote liberty in three ways. First, because local people clearly know the community and its children the best, it encourages them to act as the primary decision makers with regard to their children’s education. Second, it empowers local teachers to act as autonomous professionals who can bring their knowledge of the children in their classrooms to bear in deciding how to engage these young learners. Finally, it allows schools to reflect local values about what is important for children to learn in school rather than the outcomes that state-mandated test makers think are important. For example, a local school district may decide to use state funds to support a compensation system that rewards schools for their success in meeting school goals that are not directly measured by student achievement [e.g., controlling drug use].

Critique of Liberty-Enhancing Structures

Critics point out that while liberty-enhancing structures provide freedom to choose, they include the freedom to choose incorrectly. From the critics’ perspective, the externalities generated by potentially poor local decisions about what goals should be pursued in public education outweigh Americans’ long-held preference for local control of schools. Specifically, critics decry the non-uniform standards that are created by local autonomy. Uniform standards, coupled with compensation structures that focus teacher attention on those standards, are seen as the surest way to achieve higher levels of student performance and therefore the economic and social benefits that are thought to come in the wake of improved student performance.

Response

Defenders of these liberty-enhancing structures counter that the prescription for social and economic growth outlined by this critique is highly implausible. “Under conditions of uncertainty, it is unwise for a nation that wishes to promote the expansion of knowledge to restrict itself to a single, favored version of where progressive improvements of knowledge might originate and how they might develop.”37 Uniform standards require choices to be made about hotly contested matters [e.g., the “reading wars” between whole language and phonics supporters]. Locally-determined, non-uniform standards are seen to avoid this problem. In addition, proponents of liberty-enhancing structures argue that a variety of approaches to teaching allows for experimentation across districts, spurs the development of new teaching methods, and ultimately increases the capacity of teachers to generate and expand their knowledge.

Equity-Enhancing Structures

Equity-enhancing compensation structures initially emanated from school finance litigation in the 1970s. Court decisions calling for fiscal neutrality across school districts has led 23 states to eliminate, or strictly limit, the power of local school boards to determine teacher salaries. By equalizing the ability of school districts to pay teacher salaries, and setting minimum teacher salaries and implementing some form of statewide salary schedules, these states seek to provide more equal opportunities for school districts to attract and retain quality teachers. The goal is to promote fairness by minimizing or eliminating disparities in teacher salaries arising from differences in wealth or geography.

Critique of Equity-Enhancing Structures

Critics of this approach point to the experiences of states that have moved toward salary equity and argue that a trade-off generally exists between equity and salary adequacy. For example, a recent study shows that while the statewide salary allocation schedule implemented by the state of Washington succeeded in creating a more equitable system of pay across school districts, “this equality was created by decreasing the standard of living provided to employees outside the Puget Sound region more than the fall sustained in the Puget Sound region.”40 Thus, teachers in Washington now receive a more equal share of a smaller salary pie.

Response

Proponents of equity-enhancing structures, such as that used in the state of Washington, point out that school attendance is compulsory. By requiring children to spend more than a tenth of their expected life span in school, it is argued, a state incurs a moral and legal obligation to support schools and the teachers who work in them, in ways that are congruent with its ideals. While a state’s responsibility for many aspects of children’s lives is at best indirect and limited, its responsibility for ensuring a “a general and uniform system of public schools”41 is both direct and clear. For these individuals, the trade-offs cited by critics are
Efficiency-Enhancing Structures

Efficiency-enhancing initiatives are based on the belief that what teachers most need is stronger skills and knowledge and that the best way to encourage teachers to acquire them is to simultaneously (i) increase demands on the K-12 education system, (ii) reduce discretion of decision-making parties within the system, and (iii) hold teachers more responsible for performance.

In summary, our plan is a rigorous, "professional-pay-for-professional-performance" program. It links major pay increases to improvements in a teacher’s professional practice and provides salary bonuses for all teachers in schools where high expectations for learning and achievement are met. It requires accountability across the entire system. The state is held accountable to provide the resources and standards. Schools, districts and communities are held accountable to provide leadership, set new priorities and find time to accommodate change. Teachers are held accountable for improving practice and achieving results in their classrooms.

Table 1. Societal Values Pursued Through Teacher Compensation

<table>
<thead>
<tr>
<th>Societal Value</th>
<th>Goal</th>
<th>Critique</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liberty</td>
<td>(a) Encourage local people to act as the primary decision makers with regard to their children’s education</td>
<td>Externalities generated by potentially poor local decisions about what goals should be pursued in public education outweigh Americans’ long-held preference for local control of schools</td>
<td>Variety of approach allows for experimentation across schools, spurs the development of different approaches, and ultimately increases the capacity of teachers to generate and expand their knowledge</td>
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<td></td>
<td>(b) Empower teachers to act as autonomous professionals</td>
<td>A trade-off generally exists between equity and salary adequacy. Thus, teachers in states that have moved towards salary equity now receive a more equal share of a smaller salary pie</td>
<td>Because school attendance is compulsory, states have a moral and legal obligation to ensure a uniform system of public schools</td>
</tr>
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<td></td>
<td>(c) Allow schools to reflect local values about what is important for children to learn in school</td>
<td>Adoption of detailed educational standards will create teacher demands for equally precise prescriptions of the instructional procedures whereby those standards can be met rather than fostering teachers’ creative instructional energies</td>
<td>Performance-based pay will attract potential standouts into the profession, provide incentives for teachers to constantly improve their knowledge, and align salaries with the goal of raising student achievement</td>
</tr>
<tr>
<td>Equity</td>
<td>(a) Provide more equal opportunities for school districts to attract and retain quality teachers</td>
<td>A trade-off generally exists between equity and salary adequacy. Thus, teachers in states that have moved towards salary equity now receive a more equal share of a smaller salary pie</td>
<td></td>
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<td></td>
<td>(b) Promote fairness by minimizing or eliminating disparities in teacher salaries arising from differences in wealth or geography</td>
<td>A trade-off generally exists between equity and salary adequacy. Thus, teachers in states that have moved towards salary equity now receive a more equal share of a smaller salary pie</td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>(a) Link major pay increases to improvements in a teacher’s skills and knowledge</td>
<td>Adoption of detailed educational standards will create teacher demands for equally precise prescriptions of the instructional procedures whereby those standards can be met rather than fostering teachers’ creative instructional energies</td>
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<td></td>
<td>(b) Provide bonuses for teachers in schools where expectations for learning and achievement are met</td>
<td>Adoption of detailed educational standards will create teacher demands for equally precise prescriptions of the instructional procedures whereby those standards can be met rather than fostering teachers’ creative instructional energies</td>
<td></td>
</tr>
</tbody>
</table>

Critique of Efficiency-Enhancing Structures

Critics of this approach charge that under this system, “any creative thinking about the purposes of education is to take place at the central levels of government, relegating localities to the task of compliance with those purposes.” If John Dewey is correct that the ends and means of any action are inextricably linked, then pre-set performance goals will impose restrictions on teachers’ abilities to think about the means by which those goals can be accomplished. According to this line of thinking, state and national adoption of detailed and precise educational standards is likely to create teacher demands for equally precise prescriptions of the instructional procedures whereby those standards can be met. Such a one-size-fits-all approach to the complex craft of teaching children is unlikely to foster teachers’ creative instructional energies. Instead, use of such a framework to assess teacher quality is likely to undervalue seemingly important teacher characteristics, such as the ability of teachers to convey knowledge and inspire enthusiasm for learning, in favor of more readily identifiable skills and knowledge.

Response

Supporters turn around this charge by contending that performance-based pay structures will actually attract more talented and creative professionals into teaching. The incentives provided by this pay structure
will encourage teachers to constantly improve their knowledge of context-sensitive ways of achieving the centrally prescribed purposes of education. They point to the description of desired knowledge and skills contained in The Framework for Teaching, as providing the processes and tools to assess the practice of individual teachers. In addition, the efficiency-oriented approach “is appealing because it would align salaries more closely with the goal of raising student achievement.” Because salaries are such a large component of school expenditures, efficiency is enhanced when states allocate compensation in ways that will yield the greatest return to students.

Conclusion
This paper reviewed the roles of (i) the first three waves of educational reform, (ii) teacher labor market behavior, and (iii) teacher compensation in setting “the occupational context of teaching” that is crucial in attracting and retaining teachers in the profession. Each of these factors suggest that policy makers in the twenty-first century face a formidable task in devising strategies that will improve the quality of our nation’s teaching force. Despite hard work and good intentions, previous reform strategies have not succeeded in ensuring student access to qualified teachers, especially in urban areas, but also in academic subjects with perceived shortages of qualified teachers. Education majors continue to be drawn from the lower end of the ability distribution and those who end up teaching are, on average, less likely to have strong cognitive abilities. Finally, teacher salaries continue to be seen as a major deterrent to attracting a larger number of quality teachers, with average starting salaries for teachers lagging far behind starting salaries in other occupations.

To facilitate a more systematic analysis of distinguishing between different teacher compensation structures, the last section of the paper differentiates these approaches as implicit endorsements of one of three competing societal values. Table 1 provides a taxonomy of the different goals that teacher compensation seeks to further, the primary criticisms of each approach, and the response of supporters to this critique.

Endnotes
3. David Goldhaber and Dominic J. Brewer, Why Don’t Schools and Teachers Seem to Matter? Assessing the Impact of Unobservables on Educational Productivity, *Journal of Human Resources* 32 (Summer 1997);
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32. Odden and Kelley.


41. *Washington Constitution*, Article 9, Section 2 (1889).


44. Bull: 44.


46. Odden and Kelley.


