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IT'S TIME FOR MERIT PAY IN MARYLAND SCHOOLS

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In September 2005, the Governor's Commission on Quality Education in Maryland released its 30 recommendations for revamping PK–12 education in the state. Topping the list is a call to “Develop a new compensation system for teachers and principals.” This recommendation has substantial promise to improve the way the state's faculty and administrators are paid. Specifically, this proposal has a variety of advantages over the current “single salary schedule” often used:

- School employee compensation would be more in line with market compensation forces found in the private sector;
- Flexible pay arrangements would help staff hard-to-fill schools (especially in rural or inner-city locations) and hard-to-fill positions (such as those in math, science, and special education); and
- The best teachers would have the opportunity to earn substantially more than the current rigid schedules allow them to earn.

Among the Steele Commission's recommendations, flexible pay for school employees is arguably the most important one, and state legislators should take up this issue when they reconvene in January 2006.

BACKGROUND

On September 27, 2004, Governor Robert L. Ehrlich, Jr. signed an executive order establishing the Governor's Commission on Quality Education in Maryland, the so-called “Steele Commission” chaired by Lieutenant Governor Michael S. Steele. The commission released its final report in September 2005, with 30 recommendations for a variety of school reforms, such as teacher certification changes, charter school reform, reading/math recovery changes, and a shift to value-added testing.

The first recommendation the Steele Commission offered was to “Develop a new compensation system for teachers and principals” whereby there would be “a statewide framework establishing minimum salary levels and providing for district-specific adaptations.”¹ These adaptations would allow teachers in hard-to-find specialties—such as math, science, and special education—and teachers in hard-to-fill locations—such as inner city and rural areas—to be paid more for their services.

Predictably, the teachers' unions have come out against this recommendation. The Maryland State Teachers Association lambasted the commission's pay proposals as “an assault on the current collec-

1. Governor's Commission on Quality Education in Maryland, “September 2005 Report,” p. 18-19, available at <http://www.gov.state.md.us/GCQE/GCQE-FINAL-LO.pdf> (accessed November 8, 2005).

tive bargaining process.”² This position is curious, given that the likely outcome of any such policy would be that many teachers—the vast majority of whom are MSTA members—would be paid more than the rigid single salary schedule pays them currently.

While the legislature has considered merit pay bills in recent years, it is something that the House of Delegates and State Senate should take up in earnest (like many of the other Steele Commission proposals) upon the formation of the coming legislative session in January 2006.

HOW THE CURRENT SINGLE SALARY STRUCTURE WORKS

Most classroom teachers in Maryland are paid via a standard salary structure, or “grid,” whereby teachers are paid the same, based on their experience and level of education. Usually, these salary grids are directly negotiated or bargained by the local union and school district. Generally speaking, these salary grids are fairly rigid, and the school district or local school principal has little, if any, way to vary the pay. Thus, teachers cannot be rewarded for good performance, and/or lackluster teachers cannot be penalized for substandard performance.

The Baltimore City experience illustrates how these salary grids work (See Table 1). The salary grid for the city’s teachers is broken into four classifications and either nine or 21 steps. If you are a new teacher with a standard teaching certificate in Baltimore City (and lack a master’s degree or higher), you will earn \$38,874 per 10-month school year and be on the fourth step on that column of the schedule. Typically, a teacher will ascend one step per academic year of teaching.³

If, in addition to the step increases, a teacher wants to earn more money within a district, the only way to do so is to pursue further education. At Step 4, a teacher in Baltimore City will earn about 7.5 percent more (or roughly \$2,900) by earning a master’s degree. Completing 30 credit hours past a master’s degree (by which time a teacher would

Table 1: Baltimore City 10-Month School Year Teacher Salaries for 2005-06

| Step | Standard Certificate | Master's Degree | Master's Plus 30 Credits | Doctoral |
|------|----------------------|-----------------|--------------------------|----------|
| 1 | 35,672 | 37,900 | 40,062 | 42,231 |
| 2 | 36,463 | 38,864 | 41,112 | 43,328 |
| 3 | 37,664 | 40,324 | 42,694 | 44,919 |
| 4 | 38,874 | 41,792 | 44,290 | 46,525 |
| 5 | 40,097 | 43,482 | 45,897 | 48,146 |
| 6 | 41,210 | 44,771 | 47,517 | 49,780 |
| 7 | 42,078 | 46,283 | 49,151 | 51,429 |
| 8 | 42,515 | 47,803 | 50,800 | 53,093 |
| 9 | 43,147 | 49,759 | 52,905 | 55,238 |
| 10 | | 50,755 | 53,954 | 56,333 |
| 11 | | 51,769 | 55,022 | 57,447 |
| 12 | | 52,804 | 56,112 | 58,585 |
| 13 | | 53,861 | 57,222 | 59,744 |
| 14 | | 54,938 | 58,355 | 60,928 |
| 15 | | 56,037 | 59,511 | 62,134 |
| 16 | | 57,157 | 60,688 | 63,363 |
| 17 | | 58,300 | 61,891 | 64,619 |
| 18 | | 59,620 | 63,338 | 65,899 |
| 19 | | 60,676 | 64,366 | 67,203 |
| 20 | | 61,869 | 65,640 | 68,534 |
| 21 | | 63,106 | 66,954 | 69,905 |

Source: Baltimore City Public Schools.

have completed all or nearly all of the class work towards a doctoral degree) would increase his or her pay by another six percent.

A teacher who earns a master’s degree will therefore only see a fairly modest increase in his or her paycheck. At Step 4, that Baltimore City teacher—irrespective of ability, but armed with a master’s degree—will see roughly \$80 of additional biweekly take-home pay after garnering a master’s degree,⁴ that is, before the \$385 in union dues owed to the state and national unions (the MSTA and the NEA) for negotiating this rigid salary grid.

2. Maryland State Teachers Association, “Statement of Patricia A. Foerster on Steele Commission Report,” press release, September 14, 2005, available at www.mstanea.org/news/index.php?id=96 (accessed November 8, 2005).

3. E-mail correspondence with Baltimore City Public Schools, November 2, 2005.

4. Estimate derived from PaycheckCity.com, based on information from the Baltimore City Public Schools Human Resources office.

The standard salary schedule, therefore, lacks a great deal of flexibility. The compensation grid treats teachers as mere commodities, equating one teacher of the same education and experience as the same as the next, ignoring the fact that different teachers have differing abilities and student outcomes. Additionally, this approach also ignores that certain teachers, such as math, science, and special education teachers, are often hard to recruit and retain. Former IBM CEO Louis V. Gerstner, Jr., commented on this particular problem when he wrote:

The heart of the problem is the arcane way we recruit and prepare teachers, along with the lockstep single salary schedule—which says a teacher equals a teacher equals a teacher, no matter how desperately society may need a certain skill set and no matter how well a teacher performs in the classroom. That’s senseless, yet it’s still the norm in the teaching profession.⁵

Such a salary grid policy, then, compensates an elementary school teacher the same as a hard-to-find high school physics teacher (assuming equal educational attainment and teaching longevity). Not only does this approach ignore basic supply and demand in the labor market for teachers, but with the absence of pay as a factor in a teacher’s decision about where to teach, high-demand teachers will tend to gravitate to the more desirable school districts. Often, these schools are outside of the city center and/or at the better schools.

This geographical selection of schools by teachers appears to have happened in California after the state enacted its class size reduction law. Virtually overnight, almost all school districts in the state needed more elementary school teachers, and staffing the less desirable inner city schools in California took the longest.⁶

The Steele Commission proposal would move away from the single salary schedule for at least new teachers. The commission noted that the new system “should pay teachers according to their subject expertise, their demonstrated effectiveness (based at least in part on the ‘academic value’ that they add to their students and test scores), and the challenges of staffing particular schools.”⁷ To that end, the Steele Commission advocates that the inflexibility problem of teacher pay, both in terms of subject knowledge/expertise and geography, be addressed by the state legislature.

TYPES OF FLEXIBLE PAY ARRANGEMENTS

Flexible pay arrangements take two basic forms: competitive or otherwise differentiated base pay; and merit pay (the latter is sometimes also called pay-for-performance). While the two differ in important ways, the aim is the same—to change the current rigid salary array seen throughout the education field.

Competitive Base Pay

The first flexible pay arrangement is competitive base pay, which would allow the base teacher salary to vary based not only on education and experience, but also on the relative demand of the particular teaching specialty. High-demand specialists, such as properly credentialed math, science, and special education teachers, would get more in base pay as an incentive to attract and retain them.

Obviously, such market forces enter prominently into the salary negotiations of all manner of private sector employees. Additionally, however, Maryland’s state universities can and do engage in this type of differential salary arrangement on a regular basis. According to data from Salary.com, the typical (median) assistant professor of sociology in College Park earns about \$49,647, far less than what the typical assistant business professor earns (\$73,608). This is simply a response to market forces by the university. As its policy notes, the University System of Maryland may use competitive pay when there is “a demonstrated and docu-

5. Louis V. Gerstner, Jr., “Math Teacher Pay Doesn’t Add Up,” *The Christian Science Monitor*, December 13, 2004, p. 9.

6. CSR Research Consortium, “What We Have Learned About Class Size Reduction in California,” Capstone Report, September 2002, p. 6.

7. Governor’s Commission, “September 2005 Report,” p. 19.

mented inability to attract a pool of qualified candidates.”⁸ Applying a similar framework to K-12 teachers should not be terribly difficult, and would go a long way to decrease the proportion of the state’s children who are taught by educators who lack the qualifications to teach in these specialties.

Merit Pay or Pay-for-Performance

Merit pay or pay-for-performance policies would reward teachers for their performance—usually measured by student achievement test scores, although this is not always the case. For example, merit pay policies may be fashioned for teachers who continually improve their teaching knowledge or skills, or otherwise receive some kind of additional credential that does not factor into the standard salary schedules.

Typically, at the beginning of a year (or semester, depending on how a school schedule is structured), a teacher is given a performance target for the time period. Meeting that target will result in a bonus to the teacher. Often, the bonus will increase depending on how much the target is exceeded.

In order to effectively and equitably implement merit pay, the state should implement a value-added system of testing, which was also advocated by the Steele Commission. Such a value-added testing system would track pre- and post-test scores on an individual student basis within a classroom and, at least in part, reward teachers for achievement gains of their students above some expected level. Value-added testing systems have been in existence for more than a decade in Tennessee, while Ohio and Pennsylvania are pilot-testing a similar system.⁹

Teachers should only be evaluated based on student gains for those children who spend either a full semester or academic year with those educators, however. As William Sanders, widely consid-

ered to be the godfather of value-added testing, explained recently to *Education Daily*,

Some students, such as disproportionately low-scoring ones, tend to change schools several times. With missing and fractured records, assigning responsibility for student growth to a specific school or teacher becomes unreliable.¹⁰

Therefore, it is important that the evaluation of who gets merit pay only be done for students who are in the purview of the given teacher. That said, student achievement in the classroom is only one of several possible factors that may be used when distributing merit pay bonuses. The Milken Family Foundation’s Teacher Achievement Program (TAP), which provides funding for merit pay in schools located in a handful of states, uses the following standards-based criteria for assigning bonuses:

- Classroom achievement gains: 30 percent
- School gains: 20 percent
- Individual skills, knowledge, and responsibilities of the teacher: 50 percent¹¹

The Milken Family Foundation is quick to point out that teachers are not competing against their school-based colleagues for bonuses, but against a fixed and objective standard. This is done to blunt the argument that past merit pay programs were highly subjective in their implementation.

As a policy, merit pay programs are gaining traction in a variety of areas around the country. Five states already have some type of pay-for-performance (Arizona, Florida, Iowa, New Mexico, and North Carolina), and the TAP program funds programs in five other states (Arkansas, Louisiana, Minnesota, Oklahoma, and South Carolina).¹² Other proposals for merit pay programs are currently being considered in a number of other places, such as Massachusetts and Texas, and one was recently passed by the voters via a ballot initiative in Denver.

8. For more on this policy see 233.0 VII-9.30, “Policy on Salary Upon Entry into UMS Service,” available at www.usmh.usmd.edu/Leadership/BoardOfRegents/Bylaws/SectionVII/VII930.html (accessed November 8, 2005).

9. Stephen Sawchuck, “Value-Added Testing Could Improve Class Instruction,” *Education Daily*, October 21, 2005, p. 1.

10. *Ibid.*, p. 2.

11. John Schacter, Yeow Meng Thum, Daren Reifsneider, and Tamara Schiff, “The Teacher Advancement Program Report Two: Year Three Results from Arizona and Year One Results from South Carolina TAP Schools,” Milken Family Foundation, 2004, p. 9, available at www.mff.org/pubs/tap_results_azsc2004.pdf (accessed November 8, 2005).

12. Michael Janofsky, “Teacher Merit Pay Tied to Education Gains,” *New York Times*, October 5, 2005.

This listing of areas does not include some of the more ad-hoc efforts to establish merit pay by a few intrepid school administrators. Take, for example, the recent efforts of Karen Carter, principal of Meadowcliff Elementary School in Little Rock, Arkansas.¹³ The school instituted some curriculum reforms, and Carter wanted some way to gauge if they were effective or not, while giving her staff some performance incentives.

After contacting the school district and a local nonprofit, an anonymous third-party donor provided the funds for a rudimentary merit pay program. For every student registering up to a 4 percent gain on the Stanford Achievement Test, the teacher would get \$100. A 5 to 9 percent gain would result in a \$200 bonus; a 10 to 14 percent gain would net the teacher \$300, and a 15 percent or higher gain would garner the teacher \$400. By the end of the year, scores on the Stanford test had risen some 17 percent, with the successful teachers grossing up to \$8,600 for their accomplishment.¹⁴

The program, now in its second year, has been adopted formally by the local school district. Not surprisingly, the local union subsequently demanded that the Meadowcliff faculty vote upon such a contract waiver, which passed without a single dissenting vote. If properly implemented, then, merit pay proposals can be very popular with teachers. Given that most merit pay proposals only propose to increase teacher pay, it is not surprising that they would be popular among educators.

BENEFITS OF FLEXIBLE PAY ARRANGEMENTS

In the discussion of flexible pay arrangements, then, three types of benefits tend to accrue (depending on how the policy is structured):

1. **More pay will attract teachers to hard-to-staff schools.** Under a single salary schedule, teachers are paid the same irrespective of the school in that district. With no incentives otherwise available, teachers will first gravitate towards the 'better' schools or schools that have fewer discipline problems. Gov. Rick Perry of Texas, for example, wants to use flexible pay as a solution to this problem. "We need to recruit proven teachers to underperforming schools, teachers who can turn around a campus one child and one classroom at a time," he said in his State of the State address last January.¹⁵ To that end, he has proposed to pay teachers an additional \$7,500 to work in schools that are struggling academically. To a limited degree, Maryland has been doing this, with more modest (\$2,000) salary increases going to teachers who work in some 350 poor-performing schools.¹⁶
2. **More pay will attract teachers in high demand specialties.** The Maryland Staffing Report consistently shows shortages in math, science, and special education teachers, among other specialties.¹⁷ In the private sector, shortages in any specific occupation are usually brief, as higher wages attract more workers. Since there is little flexibility in teacher compensation, the shortage remains persistent, and too often students are not taught by qualified teachers, especially in math and science.¹⁸

13. John T. Wenders, "Apples are Nice, but How about a Raise?" Goldwater Institute, *Today's News*, October 26, 2005, available at www.goldwaterinstitute.org/article.php/786.html (accessed November 8, 2005).

14. David J. Hoff, "Governors Seek New Teacher-Pay Methods: Plans Include Merit Pay, Bonuses for Teaching in Struggling Schools," *Education Week*, February 2, 2005.

15. Vikki Ortiz, "Arundel Teachers' Bonus Urged at Lagging Schools," *Washington Post*, December 18, 2003, available at www.washingtonpost.com/wp-dyn/articles/A9613-2003Dec17.html (accessed November 8, 2005).

16. Maryland State Department of Education, "Maryland Teacher Staffing Report 2005-2007," p. v-vi, available at www.marylandpublicschools.org/NR/rdonlyres/B552E542-F940-4BD2-88C0-532BA4EEF4BB/7417/TEACHERSTAFFINGREPORT20052008.pdf (accessed November 8, 2005)

17. Richard M. Ingersoll, "The Problem of Underqualified Teachers in American Secondary Schools," *Educational Researcher*, Vol. 28, No. 2 (March 1999), p. 26-36.

Fortunately, some school districts in Maryland, such as in Washington County, are beginning to move in the direction of differentiated pay.¹⁹ These efforts, while noteworthy, should be expanded in districts across the state and worth enough money to be effective.

3. **Merit pay rewards good teachers.** Currently, there are few ways for highly effective teachers to raise their salaries in the typical school district.²⁰ As noted above, under the single salary schedule only longevity and educational attainment matter. Effectiveness in the classroom therefore does not matter in the compensation of teachers, which is unfortunate to say the least. Certainly a good teacher should be paid more than a substandard one.

Additionally, Maryland's teachers should be outraged that they are not the beneficiaries of such merit pay bonuses while their superintendents often are. For example, Baltimore City Superintendent Bonnie S. Copeland's current contract will yield her an additional \$10,000 for increases in student achievement, a bonus that rank-and-file teachers do not have the opportunity to earn.²¹

ANSWERING OPPOSITION

Not surprisingly, teacher union leadership is generally against such innovative and flexible compensation systems. The Maryland State Teachers Association, for example, bemoans flexible pay arrangements because they might reduce the MSTAs bargaining power. As MSTA President Patricia A. Foerster recently noted, "Other recommenda-

tions are an assault on the current collective bargaining process at the local level. The ability to bargain professional pay and a living wage for all educators continues to be a major factor in keeping them in Maryland schools."²²

This position is curious, given that flexible pay would almost certainly increase the pay of many of the MSTAs members, and would likely attract new members into the organization's ranks. MSTAs parent, the National Education Association, does not officially support merit pay either. Earlier this decade, merit pay was debated at the NEA's annual convention and was rejected. Now, the only reference to pay on the NEA's website is a demand that all teachers earn a minimum salary of \$40,000 per year.²³

Fortunately, however, this position against flexible pay is not monolithic among the education unions. Indeed, the American Federation of Teachers, lead by the late Sandra Feldman, forwarded flexible pay in February 2001 in a resolution that read, "it is time to explore viable, fair and educationally sound teacher compensation options that will raise salaries while contributing to efforts already under way to assure high-quality, well-prepared teachers for all students." While the unions stopped short of advocating that the single salary schedule be eliminated, this resolution signaled a willingness to work with school districts to fashion an equitable policy.²⁴

Even before the February 2001 resolution, Sandra Feldman herself spoke forcefully on the need to change the teacher compensation system to include

18. Thomas L. Neumark, "The Market-Based Solution to Maryland's Teacher Shortage," *Maryland Policy Report*, No. 2004-7, September 8, 2004, available at www.mdpolicy.org/publications/policy_report/PolicyReport2004-7.pdf.
19. Because of the Quality Teacher Incentive Act of 1999 (HB 9), there are only a few ways in Maryland to increase teacher compensation. Besides the \$2,000 bonus for working in a low-performing school noted above, a teacher may also get an additional \$2,000 for having a National Board Certification. See the Maryland Teacher Staffing Report, p. 14.
20. Sara Neufeld, "With Bonus, Copeland Could Earn \$300,000," *Baltimore Sun*, August 18, 2005, available at www.baltimore-sun.com/news/education/bal-te.md.copeland18aug18,1,1313319.story?coll=bal-local-headlines (accessed November 8, 2005).
21. Patricia A. Foerster Press Release, September 14, 2005, available at www.mstanea.org/news/index.php?id=96.
22. National Education Association, "Professional Pay," available at www.nea.org/pay/index.html (accessed November 8, 2005).
23. American Federation of Teachers, "Professional Compensation," available at www.aft.org/topics/teacher-quality/comp.htm (accessed November 8, 2005).
24. Sandra Feldman, "220,000 Teachers a Year: Putting First-Class Educators in Every Classroom," speech to the Economic Club of Detroit, January 18, 2000, available at www.aft.org/topics/teacher-quality/downloads/SFTQSpeech.pdf (accessed November 8, 2005).

flexible and merit pay provisions. As she told the Economic Club of Detroit on January 18, 2000:

To keep the confidence of the parents and taxpayers, we'll need new standards for quality and accountability, including ideas that some teachers and our unions have opposed in the past. These ideas include...making modifications in the traditional 'single salary schedule' for teachers that has been based almost entirely on levels of education and years of experience.²⁵

The softening of opposition probably stems from the fact that many rank-and-file teachers support the idea of being able to garner higher salaries, if the standards for such pay are sufficiently objective. As there are more positive experiences with flexible pay, like the example at Meadowcliff Elementary School, more teachers will be in favor of the change. It should be noted here that the flexible pay proposal recently approved by the voters in Denver was done with the approval of the Denver Classroom Teachers Association in collaboration with the local school district.²⁶

RECOMMENDATIONS FOR POLICYMAKERS

Certainly policymakers should now take steps to implement the first recommendation of the Steele Commission that will develop a new compensation system for teachers and principals. It should do so, however, in a careful and methodical way, while considering the following set of standards:

- Any salary adjustments based on merit or performance should be based on objective criteria set in advance of implementation.
- If test scores are to be used as part of that calculation (and certainly they should be), then a value-added system of testing and tracking of individual students should be established. Tennessee provides a good template for how a long-standing value-added system works. Addition-

ally, teachers should only be judged on the students who are present in their classrooms for the entire semester or year, and not on the ones who transfer in or out.

- School districts should empower local principals to negotiate initial year salaries with new hires, giving them the flexibility to raise starting salaries for hard-to-find positions or in hard-to-fill schools. Such flexibility is commonplace with charter school principals across the nation.
- The state should resist calls to simply raise salaries across the board for teachers. Such a move is not only potentially fiscally ruinous to the state, but also does not provide proper incentives and rewards for outstanding teachers or those in high-demand specialties.
- If policymakers are concerned about union opposition to flexible pay arrangements, then take the case directly to the teachers and let them opt-in to the new program. That strategy worked in Denver, and was also effective in the United Kingdom. When Tony Blair instituted pay-for-performance, some 80 percent of teachers signed up over union resistance.²⁷

The single salary schedule has been a mainstay of teacher compensation for decades. While it had its uses in the past, it is a relic that should now be jettisoned in Maryland and elsewhere. In today's academic environment, it is time to stop treating teachers like commodities where everyone is the same and start treating them like the professionals they are. Properly constructed, flexible pay arrangements have a good deal of potential for transforming the teaching profession in promising ways.

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25. For more on this, see Denver Public Schools, "ProComp: Professional Compensation System for Teachers," July 2005 at www.dpsk12.org/manila/programs/denverprocomp/2ProCompBrochure705.pdf (accessed November 8, 2005).

26. Andrew Rotherham, "Don't Worry, Performance Pay is Coming: How To Attract and Retain Quality Teachers" *Chicago Tribune*, July 11, 2000, available at http://www.ppionline.org/ppi_ci.cfm?knlgAreaID=110&subsecID=135&contentID=1370.

27. For more on the recent experiences at Meadowcliff Elementary School, see Daniel Henninger, "Pay for Performance: How an Arkansas School Found a Way to Measure Success," *Wall Street Journal*, October 14, 2005, available at www.opinion-journal.com/columnists/dhenninger/?id=110007406 (accessed November 8, 2005).