

Center for American Progress



# Teacher Compensation in Charter and Private Schools

*Snapshots and Lessons for District Public Schools*

Julie Kowal, Emily Ayscue Hassel, and Bryan C. Hassel  
Public Impact

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## **Acknowledgements**

The Center for American Progress thanks the Joyce Foundation for generously providing support for this paper. Based in Chicago, the Foundation invests approximately \$8 million annually in work to improve public education in the Midwest, especially by improving the quality of teachers in low-performing schools.



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## Executive Summary

Across the country, states and districts are struggling to attract, support, and retain high-quality teachers in the classroom. The limitations of the traditional salary schedule in attracting and keeping good teachers have prompted many policymakers to search for alternative methods of compensation. In this paper, we examine teacher compensation policies in charter and private schools for lessons to help traditional public schools more effectively draw and keep high-quality teachers.

Charter and private schools make much greater use of pay innovations than traditional public schools, and there is some recent evidence that they have been more successful at recruiting teachers with higher academic credentials. We looked to national surveys of charter and private schools and interviews with leading charter and private school networks for their answers to several key questions that animate the current debates over teacher pay in public schools:

- How much should teachers be paid, and who should decide?
- Should some of teacher pay be tied to performance, and if so how?
- How should pay be designed to attract teachers to hard-to-staff positions?
- What rewards other than pay should be part of the overall package for teachers?

We found several common trends in charter and private schools that differ significantly from pay experiments in traditional public schools:

- Strict salary schedules play a much smaller role in charter and private schools in determining teachers' base pay. Many charter and private schools do not use a schedule at all, and even those that do tend to use it as a starting point rather than the sole determinant of teachers' pay.
- Charter and private schools are more likely than district schools to tie some portion of teachers' pay to performance, and a significant number also use higher pay to fill hard-to-staff positions.
- Charter and private schools also make much greater use of non-financial rewards than district schools to draw and keep the best teachers.

Most importantly, what emerged from our research is a picture of what school and system leaders do with pay when they are free to use compensation as a tool to meet their goals. Though they are free from many of the rules and constraints that govern pay in traditional public schools, school and system leaders in the charter and private sector have not created a new formula-driven system to replace the traditional salary schedule. Instead, our data and examples suggest that they have thrown out the very idea of formulas, substituting instead substantial discretion for school-level leaders to use compensation in pursuit of goals.



School-based decision-making is common in these schools, and it allows principals to adjust teacher salaries to the individual needs of their schools and to market realities in their communities. It provides room for creativity in teacher compensation and programs that respond directly to teachers' needs. It allows schools to try different approaches, discarding the ones that do not work and keeping the ones that do. It makes it possible to evolve pay systems over time, adapting to new realities and new needs.

The experience of leading charter and private school networks with teacher compensation suggests a potential "two-track" strategy for public policymakers committed to compensation reform. On one track, in recognition of the longstanding nature of current formula-based systems, policymakers could work to make teacher pay more performance- and market-driven, but still within the context of a formulaic, schedule-based approach. Policy changes could include pay-for-performance based on value-added test score growth, higher pay for filling hard-to-staff positions, higher pay for teaching in hard-to-staff schools, or any number of other approaches to "paying for contribution" rather than just for experience and degrees.<sup>1</sup> Such changes would make the baseline system of teacher compensation more likely to attract and retain effective teachers and to place them where they are needed the most.

On the other track, policymakers could seek ways to bring the same kind of dynamism, experimentation, and flexibility that we see in charter and private schools into the public school system. Following this track, policymakers could allow select schools to enter a more flexible compensation regime, perhaps based on their past performance or willingness to accept stricter forms of accountability. While most schools would remain in a formulaic (though improved) system, a growing subset could be part of a dynamic segment that, ideally, would produce lessons over time that could be widely adopted in the public system.



## Introduction

Decades of research suggest that teacher quality accounts for more variation in student performance than almost any other characteristic of a school.<sup>2</sup> Yet across the country, states and districts are struggling to attract, support, and retain high-quality teachers in the classroom. The limitations of the traditional salary schedule in attracting and keeping good teachers have prompted policymakers to search for alternative ways of compensating teachers. Experimentation has been limited in the public schools, however, and models to help district schools depart from structures solely based on degrees and experience are still emerging. There are many open questions about how to use teacher compensation most effectively to draw and keep high-quality teachers.

Charter<sup>3</sup> and private<sup>4</sup> schools, because they are free from many of the rules and constraints that govern hiring, firing, and pay in traditional public schools, have greater latitude in their compensation practices. Also, as schools of choice, charter and private schools can be subject to rewards and sanctions for success or failure, in the form of student enrollment or revocation or renewal of a charter. As a new wave of accountability takes hold in traditional public schools across the country, pay policies in these schools may provide some useful lessons to inform future efforts in traditional public schools to reform the way teachers are paid.

Compared to the vast traditional public school system in the United States, the charter and private school sectors are small. Charter schools enrolled roughly two percent of the U.S. student population in 2005<sup>5</sup>; private schools have maintained a relatively constant enrollment of roughly 10 percent for the past 50 years.<sup>6</sup> In 1999, charter schools employed only 17,477 teachers while private schools employed approximately 449,057—together making up just over 13 percent of the country's teaching force.<sup>7</sup> In large part because of its size, there is a tendency for personnel policies in the traditional public school system to influence practices in charter and private schools, which to a great extent feel pressure from the same professional norms and expectations established in the public school system. In addition, competition among private and charter schools may still be limited, because parents may not have access to accurate information for choosing high quality schools and charter school non-renewals are rarer than expected. This limited competition may decrease incentives for innovation in pay and other human resource systems. Nonetheless, charter and private schools make much greater use of pay innovations than district schools, and there is some recent evidence that they have been more successful at recruiting teachers with higher academic credentials.<sup>8</sup>

We looked to charter and private schools for their answers to several key questions that animate the current debates over teacher pay in public schools:

- How much should teachers be paid, and who should decide?
- Should some of teacher pay be tied to performance, and if so how?
- How should pay be designed to attract teachers to hard-to-staff positions?
- What rewards other than pay should be part of the overall package for teachers?



We found several common trends in charter and private schools that differ significantly from pay experiments in district schools. First, in charter and private schools, salary schedules play a much smaller role in determining teachers' base pay. A substantial number of charter and private schools do not use a salary schedule at all. Even among those that do, the schedule typically serves as a starting point rather than the sole determinant of teachers' pay. This flexibility in many charter and private schools is due in large part to school-level—rather than district-level—decisions about budgets and pay. We also found that a much greater percentage of charter and private schools tie some portion of teachers' pay to performance, whether defined by student test scores or evaluations by supervisors and peers. A significant number also use higher pay to fill hard-to-staff positions, such as math and science. Charter and private schools also make much greater use of non-financial rewards than district schools to draw and keep the best teachers. These pay innovations provide many useful ideas and lessons for future policymaking in the traditional public school system.

## Data

To learn how charter and private schools are approaching teacher compensation, we reviewed the most recent surveys regarding teacher pay in these schools, including the National Center for Education Statistics' 1999-2000 Schools and Staffing Survey, a national survey of personnel policy in charter schools sponsored by the Fordham Foundation in 2001, and surveys of performance and skill-based pay in charter and private schools from 2001. We reviewed documents from and conducted structured interviews with representatives from several networks of charter and private schools, including the Catholic Diocese of Raleigh, NC and Aspire Public Schools and High Tech High, charter networks based in California. We chose to investigate pay policies in charter and private school *networks* because they most resemble the decision-making structure of traditional school districts, with a central office that to some extent dictates policy and guides practice at the school level. While there are still many relevant differences between these networks and the traditional public school system, the lessons they have learned may provide the most replicable models for traditional public schools. In addition, to gain the perspective of individual private and charter schools, we interviewed the headmaster at Salem Academy in Winston-Salem, NC, a veteran administrator who has served as headmaster at several elite private schools throughout the south, as well as President of the Southern Association of Independent Schools and a member of the board of the National Association of Independent Schools. Finally, we consulted existing research about the compensation system at the Vaughn Street Charter School, a public conversion charter school in Los Angeles.

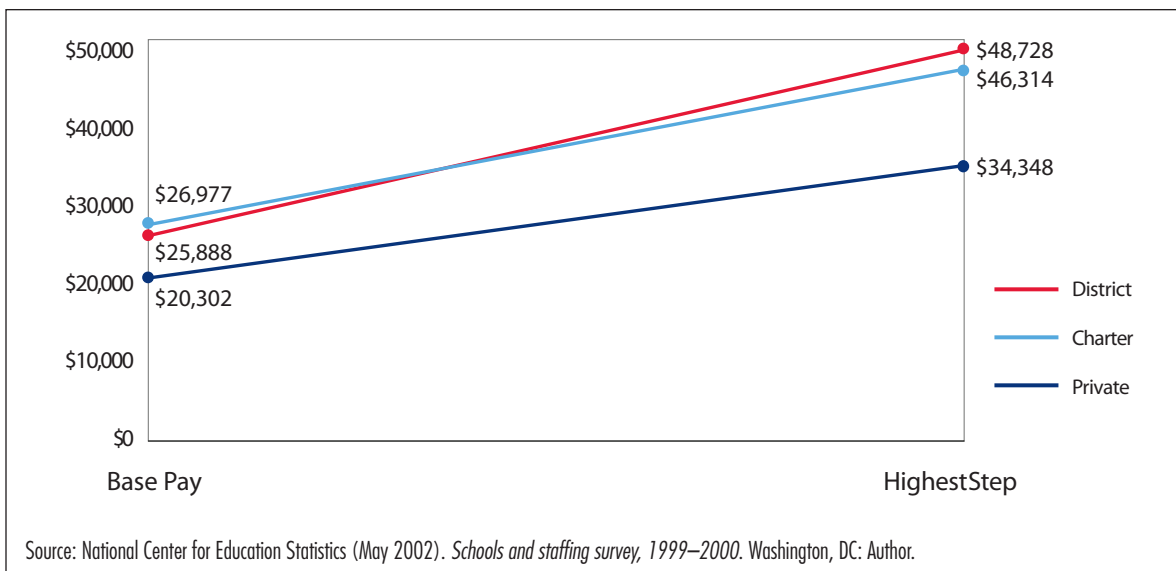




## Base Pay

The most fundamental question regarding teacher compensation begins with base pay: how much can a teacher expect to earn annually aside from bonuses, benefits, or incentives? Nearly all traditional public schools answer this question using the single salary schedule, a pay scheme that bases an individual teacher's salary on years of experience and number of education credits and degrees.<sup>9</sup> Many charter and private schools answer in a similar way: 71 percent of charter schools reported using a salary schedule in 2000, as well as 63 percent of private schools.<sup>10</sup> On average, though, charter and private schools do not pay their teachers as much as district schools. In 2000, charter schools offered a higher base salary—\$26,977 for teachers with a bachelor's degree and no experience, compared with \$25,888 for traditional public schools that same year.<sup>11</sup> But teachers at the highest step of the salary schedule in charter schools earned an average of \$46,314, lower than the average of \$48,728 in traditional public schools. Private schools offered the lowest salaries at both ends of the spectrum: in 2000, teachers with a bachelor's degree and no experience earned \$20,302 annually, while teachers at the highest step earned \$34,348 (see Figure 1).<sup>12</sup>

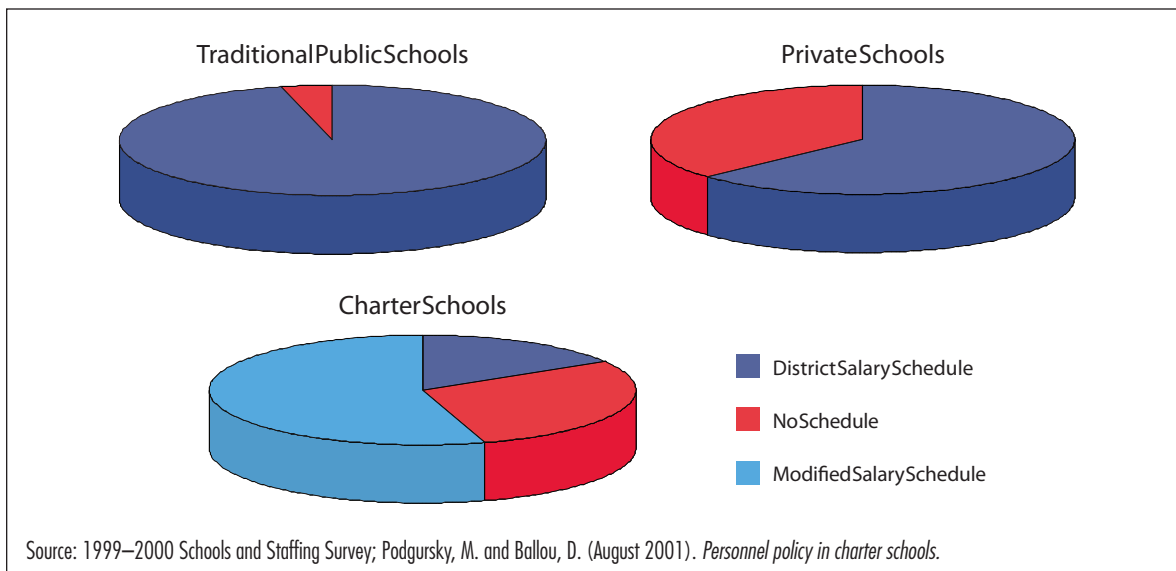
**Figure 1: Salary Levels of District, Charter, and Private Schools at Each End of the Pay Scale**





While many charter and private schools report using a salary schedule, these schools are much less likely than district schools to use a lockstep schedule to determine teachers' pay for a couple of reasons. First, a substantial number of charter and private schools does not use a salary schedule at all—especially independent schools that have the most freedom. Only 44 percent of independent non-religious private schools reported using a salary schedule in 2000, and only 57 percent of newly-created charter schools did. The overall percentages in these types of schools are higher due to differences among types of private and charter schools: for example, in 2000 nearly all Catholic schools (91 percent) and 88 percent of conversion charter schools (those that originated from an existing public school) used a salary schedule.<sup>13</sup>

**Figure 2: Percentage of Schools Using a Salary Schedule, 1999–2000**



Second, even among the 71 percent of charter schools that do use a salary schedule, only 23 percent report that they use the same schedule as their local district (see Figure 2).<sup>14</sup> One example of such a modified salary schedule comes from the Catholic Diocese of Raleigh, where schools receive a recommended salary schedule annually from the Superintendent that is modeled on the schedule used by North Carolina public schools. The Superintendent uses the salary schedule to help ensure that “all teachers [are] paid fairly and professionally,” but because each school’s budget is set by its own church board, the Diocese allows flexibility for schools on each step of the schedule. School directors may choose to provide from 75 to 100 percent of the amount on each step, depending on the school’s budget (see Figure 3). Schools that are located in small or rural communities often have a smaller budget, and consistently choose to pay their teachers at 75 percent of the recommended base pay. A parochial school in the diocese that is located in an urban area, however, may choose to fund each step of the salary schedule at 100 percent. These schools, both urban and rural, are typically located in public school districts with similar characteristics, however, and their salaries remain similarly competitive. In 2006, the base salary in the Diocese varied within the recommended range from \$20,899 for a beginning teacher with a bachelor’s degree to \$49,051 for a veteran teacher with a master’s degree.



**Figure 3: Recommended Salary Schedule Offered by the Catholic Diocese of Raleigh, 2006–07<sup>15</sup>**

Yrs. Exp.	Steps	Salary 75% 20,899	Salary 80% 22,292	Salary 85% 23,686	Salary 90% 25,079	Salary 95% 26,472	Salary 100% 27,866
0	1.00	20,899	22,292	23,686	25,079	26,472	27,866
1	1.03	21,526	22,961	24,396	25,831	27,267	28,702
2	1.06	22,153	23,630	25,107	26,584	28,061	29,538
3	1.09	22,780	24,299	25,817	27,336	28,855	30,374
4	1.12	23,407	24,968	26,528	28,089	29,649	31,209
5	1.15	24,034	25,636	27,239	28,841	30,443	32,045
6	1.18	24,661	26,305	27,949	29,593	31,237	32,881
7	1.21	25,288	26,974	28,660	30,346	32,032	33,717
8	1.24	25,915	27,643	29,370	31,098	32,826	34,553
9	1.27	26,542	28,311	30,081	31,850	33,620	35,389
10	1.30	27,169	28,980	30,792	32,603	34,414	36,225
11	1.32	27,587	29,426	31,265	33,104	34,943	36,783
12	1.34	28,005	29,872	31,739	33,606	35,473	37,340
13	1.36	28,423	30,318	32,213	34,108	36,002	37,897
14	1.38	28,841	30,764	32,686	34,609	36,532	38,455
15	1.40	29,259	31,209	33,160	35,111	37,061	39,012
16	1.42	29,677	31,655	33,634	35,612	37,591	39,569
17	1.44	30,095	32,101	34,108	36,114	38,120	40,126
18	1.46	30,513	32,547	34,581	36,615	38,650	40,684
19	1.48	30,931	32,993	35,055	37,117	39,179	41,241
20	1.50	31,349	33,439	35,529	37,619	39,709	41,798
21	1.51	31,558	33,662	35,766	37,869	39,973	42,077
22	1.52	31,767	33,885	36,002	38,120	40,238	42,356
23	1.53	31,976	34,108	36,239	38,371	40,503	42,634
24	1.54	32,185	34,330	36,476	38,622	40,767	42,913
25	1.55	32,394	34,553	36,713	38,873	41,032	43,192
26	1.56	32,603	34,776	36,950	39,123	41,297	43,470
27	1.57	32,812	34,999	37,187	39,374	41,562	43,749
28	1.58	33,021	35,222	37,424	39,625	41,826	44,028
29	1.59	33,230	35,445	37,660	39,876	42,091	44,306
30	1.60	33,439	35,668	37,897	40,126	42,356	44,585

What came through most strikingly in our interviews was that charter and private schools tend to use salary schedules as a *starting point* rather than the final determinant of pay. Principals may consult a schedule for guidance, but in the end they decide what salaries to offer based on a holistic take on what they need to pay to assemble the staff they want. It is this discretion and tailoring that sets charter and private school teacher pay so clearly apart from standard district approaches.

For example, Salem Academy, a private nonreligious school for girls in central North Carolina, seeks to match its starting salaries as closely as possible to the local district's and pays for similar characteristics. "We pay someone with a Master's more than someone with a Bachelor's, and more for a Ph.D.," says headmaster Gordon Bondurant. "We also take into account a teacher's experience, whether in teaching or not. But it doesn't fall on a salary schedule." Instead, individual salary determinations at Salem are left to the headmaster's discretion under the guidance of the school board. Mr. Bondurant says that Salem, like most independent schools, attempts to keep pace with public school salaries as much as possible out of a sense of "fairness" and a desire to remain competitive with



local schools, but the school does not adhere to a strict salary schedule to do so. Individual salary determinations at Salem are negotiated with the school director within a particular range, depending on the applicant's skills and experience and the school's demand for the position.

The Vaughn Next Century Learning Center, a charter school now famous for its performance and skill-based pay system, initially replicated the district's salary structure when it converted from a traditional district school to a public charter school. It retained the salary schedule for its first few years of operation, primarily to keep salaries competitive with those offered by the Los Angeles Unified School District and to "hold harmless" staff members who stayed at the school but had become accustomed to district salaries. Five years after it received its charter, however, it began using the schedule as a starting point only, supplemented by rewards for teachers' knowledge and skill.<sup>16</sup>

At High Tech High, too, each school director has control over his or her school's budget and "it is not administratively enforced but instead culturally expected that they will benchmark teachers' pay against the local district's schedule," according to Chief Operating Officer Jed Wallace. The central staff encourages directors roughly to match their teachers' salaries to those offered by their local district, "as a starting point," says Mr. Wallace. "Then it comes down to making use of the flexibility that is afforded us to attract high-achieving candidates and reward high achieving teachers."

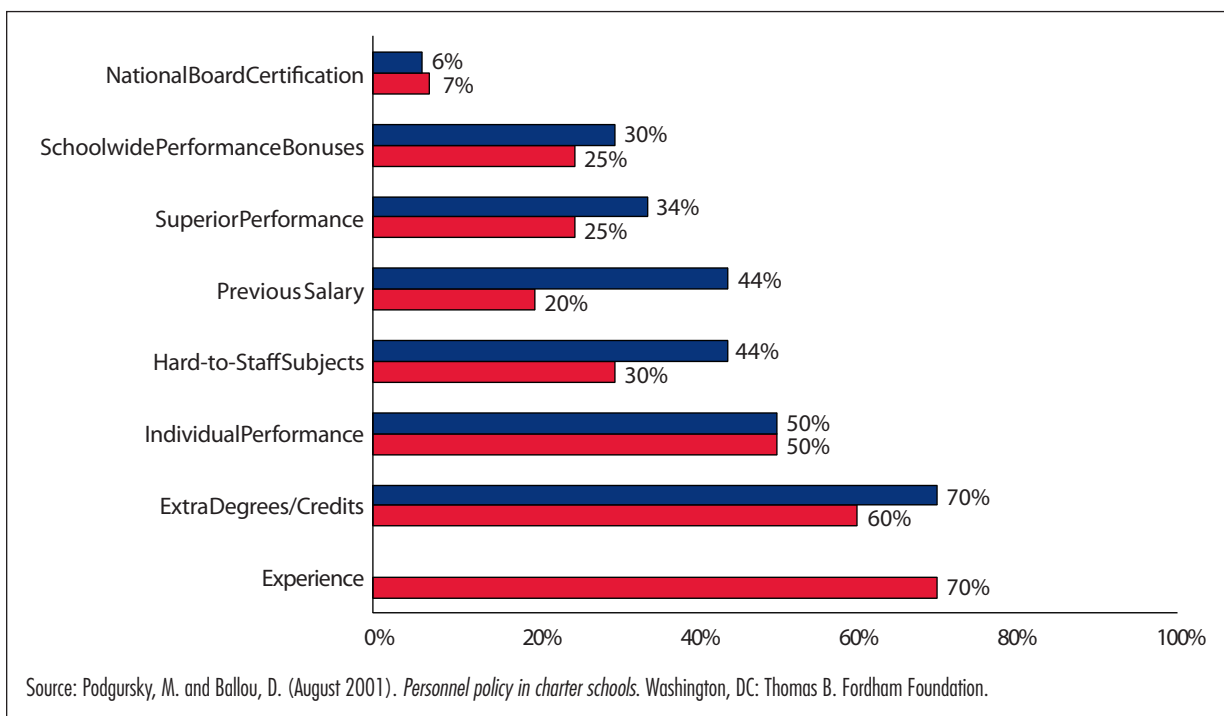
Finally, principals of charter schools within the Aspire Public Schools network also have control over their own schools' budgets, and tend to use local district salary schedules as a starting point for initial salary determinations. But as in High Tech High schools, Aspire principals depart from the schedule when necessary to meet the needs of their school and the skills of a new applicant.

These practices mirror the trend in charter and private schools nationally, where leaders are much more likely than their traditional public school counterparts to consider factors other than academic credentials and teaching experience when making initial salary determinations, even when the school follows a salary schedule. These additional considerations are similar in charter and private schools nationally: 20 percent of charter schools and 44 percent of private schools reported in 2000 that they take a teacher's previous teaching salary into account when making initial salary offers.<sup>17</sup> Twenty-five percent of charter schools and 34 percent of private schools considered a teacher's superior performance, and more than 30 percent of charter schools and 44 percent of private schools offered more to teachers with expertise in hard-to-staff subject areas.<sup>18</sup> The least important factor in charter and private schools nationally in the most recent survey was certification from the National Board for Professional Teaching Standards, a consideration in only seven and six percent of schools, respectively.<sup>19</sup>

Departures from the traditional salary schedule become more evident when charter and private schools determine salary growth once a teacher has been hired. In nearly 50 percent of both charter and private schools, individual teacher performance is a consideration in salary increases. Just over 30 percent of private schools and 25 percent of charter schools reported using school-wide performance bonuses. Fewer than 40 percent of charter schools and 30 percent of private schools did not reward teachers for earning extra degrees and credits, and more than 30 percent of charter schools did not base salary growth on experience (see Figure 4).<sup>20</sup> The primary factors that charter and private schools use to determine both initial salaries and their growth are discussed in more detail in the following sections.



**Figure 4: Percentage of Charter and Private Schools Considering Factors in Determining Initial Salaries and Salary Growth**



## Pay for Performance

Many public school districts across the country have experimented with paying teachers based on performance in an attempt to increase accountability and improve the quality of teaching. Schools, districts, and states throughout the country are wrestling with the creation and implementation of pay-for-performance programs (also called merit pay); since the 1980s, approximately 10 percent of school districts have used performance pay at any one time.<sup>21</sup> Many of these districts have discontinued pay-for-performance plans, however, due to concerns about defining teachers' "performance" and judging individual contributions to student learning.<sup>22</sup> In charter and private schools, however, pay for performance is quite common (see Figure 5), though "performance" is defined and compensated in many different ways.

Performance pay is common in private schools in general, though as with base salaries, there is significant variation by school type. In 1993, the year from which most recent survey data is available, 35 percent of private nonsectarian schools reported using performance pay—a significant portion, compared to the 12 percent of district schools using performance pay at the time. Twenty percent of religious schools reported using performance pay, and only 10 percent of Catholic schools did.<sup>23</sup> The Catholic Diocese of Raleigh reflects this trend among Catholic schools. Currently, the Diocese does not encourage the use of performance pay in its member schools because it does not align with its egalitarian values and because in these schools of choice, "our number one performance indicator is enrollment." Use of performance pay also may be limited in religious schools because many have begun in recent years to imitate the salary schedule of the public schools in order to avoid legal challenges, and may be wary of innovations that are not widely accepted in the public system.<sup>24</sup>



Private nonsectarian schools make greater use of performance pay than district schools, and the design and implementation of performance pay plans in private schools differs significantly from public schools. While district schools that use performance pay most often make awards as a one-time cash bonus, private schools are more likely to advance teachers on the salary schedule or build the increase into teachers' base salary in other ways.<sup>25</sup> Salem Academy reflects performance in each teacher's base salary rather than through bonuses because from Headmaster Bondurant's perspective, "teachers come to expect bonuses. The first year it's a bonus; the second year it's an expectation. We would rather use that money to increase the base."

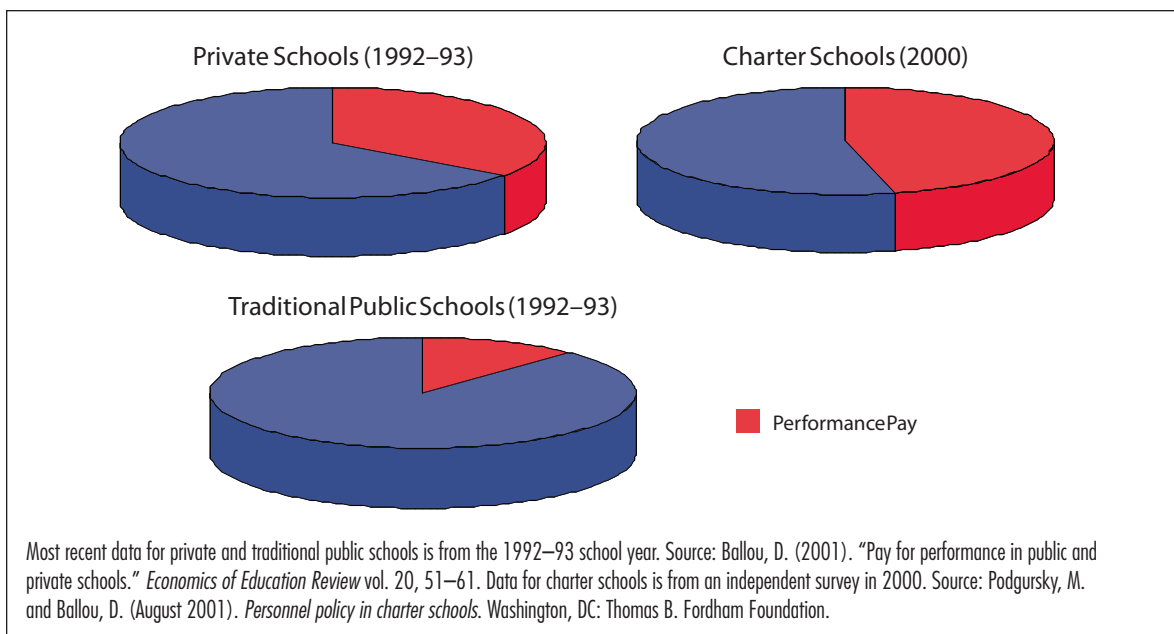
Private schools are also more likely than district schools to base performance awards on subjective evaluations of teachers' performance than on student achievement as measured by standardized tests. At Salem, for example, teachers receive annual one-on-one evaluations by their department heads following a standard protocol. This and consistent evaluation by peers, parents, and administration may qualify him or her for an increase in base salary. "Teachers who give 120 percent—coming in early, meeting with students, staying after school, attending ball games or theater performances, receiving positive feedback from parents and peers—are likely to be recognized with some financial reward."

In private schools, bonuses based on school-wide performance are rare. Many more teachers in private schools qualify for performance awards than in public schools, however, and the impact on compensation is significantly greater. In private schools that used performance pay in the early 1990s, 25 percent of teachers received an award, and the amount averaged 10 percent of their base pay. In public schools that used performance pay during the same years, only 10 percent of teachers received an award and analyses showed no perceptible impact of performance pay on their total earnings.<sup>26</sup>

Charter schools make greater use of performance pay than private or district schools. In 2000, nearly half of charter schools reported using merit or performance-based pay (46 percent).<sup>27</sup> Performance awards in these charter schools typically take the form of a one-time bonus or larger-than-average raise if a teacher or the school meets certain performance goals. The amount of pay is smaller than in private schools: awards range between 5 to 10 percent of teachers' base pay.<sup>28</sup> Like private schools, however, charter schools use performance pay to reward larger proportions of teachers than district schools. It is uncommon for charter schools to make performance awards to fewer than 10 percent of teachers—in fact, in most charter schools roughly 75 percent of teachers receive an award.<sup>29</sup>



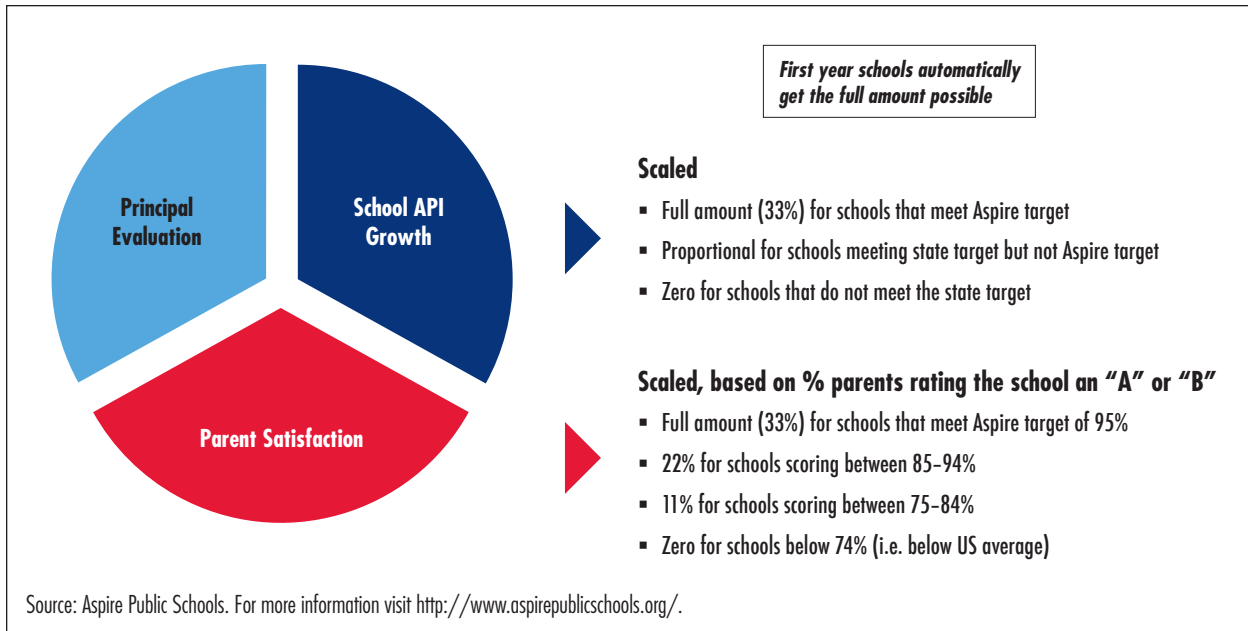
**Figure 5: Percentage of Schools Using Performance Pay, 1992–93 and 2000**



At charter schools in the Aspire Public Schools Network, performance awards are based in part on student achievement: standardized test scores account for one-third of the “merit raise formula.” Each year at Aspire, the central staff sets a merit raise amount as a percentage of each teacher’s salary. This percentage is the same for all schools, and varies year-to-year based on the network’s total budget (in 2006, it was 6.5 percent, but typically ranges between three and six percent). Teachers can earn up to this amount based on three factors: an evaluation by their principal, evaluation by parents, and school-level growth on the Academic Performance Index (API), California’s measure of schools’ academic performance. This formula allows performance to be calculated both on individual performance (principal evaluations) and school-level performance (parent satisfaction and student achievement). The last two factors are pro-rated, as well, to allow teachers to receive a portion of the merit award for good performance that falls short of targets. For example, Aspire sets its own API targets for each of its schools that falls above the state target, with the goal of ensuring that Aspire schools outperform district schools with similar student populations. If the school meets this target, every teacher receives the full amount of this portion of the merit award (in 2006, 33 percent of 6.5). The award is proportionally reduced for schools that meet the state API target but not Aspire’s (see Figure 6).



**Figure 6: Aspire Public Schools Merit Raise Formula**



Aspire developed this performance-based compensation system over several years to align with its organizational values and expectations for teacher and school success. The program and the merit formula are consistently refined based on teacher surveys and focus groups, as well as the administrative capacity in the central office. The Chief Operating Officer currently provides a one-day training each year to school principals to explain how merit raises will work, and engages in ongoing communication to support implementation at each school. The central office staff administers parent surveys and calculates each school’s scaled scores based on API and survey results.

Other charter schools, such as those in the High Tech High network, base performance pay solely upon annual evaluations. High Tech High teachers participate in an annual evaluation with their school director following a detailed rubric developed by the central staff (see Figure 7). High Tech High chose this method rather than test scores because it aligns with their organizational philosophy: “We aren’t a test-score-centric kind of place,” says Jed Wallace, Chief Operating Officer. “We wouldn’t calculate bonuses on student performance on tests. We know more about [teacher] quality by walking around.” Extraordinary teachers typically earn increases to their base salary as a result of their annual evaluations, ranging anywhere from a \$3,000 to \$5,000 a year.



Figure 7: High Tech High Teacher Evaluation Form<sup>30</sup>

## The High Tech Teacher

### Goals

1. What are your goals in your work at High Tech?
2. What are your professional goals?
3. What are your personal goals?

### Looking at your work at High Tech

1. What have your students been learning?
2. What connections to the “real world” have you been able to make, either in your classes or outside your classes?
3. What have you done in your study group? What has been useful? What could we change?
4. What parent and student comments have you heard this year about your work?
5. What constructive criticism do you have for yourself? What support could you use to improve in this regard?

### The High Tech Teacher

1. Strives to engage students while maintaining rigor.
  - a. Has students making, building, and doing (i.e. projects).
  - b. Connects student work to the adult world outside school.
  - c. Experiments with a range of teaching strategies.
  - d. Has students presenting and talking about their work.
  - e. Uses engaging, creative, and appropriate assignments and resources.
    - i. Assigns homework that has a clear purpose.
    - ii. Limits use of textbooks and publisher created worksheets.
    - iii. Rarely shows movies and only does so when there is a sound educational reason.
2. Develops appropriate relationship with students.
  - a. Is friendly without being the student’s friend.
  - b. Manages “everyday” discipline issues first in the classroom.
  - c. “Kicks it upstairs.” Reports troubling student behavior to administrators.
3. Works well with colleagues.
  - a. Strives to develop interdisciplinary curriculum across the team.
  - b. Is flexible. Is easy to get along with. Is open minded in conversations.
  - c. Participates in meetings and staff days.
  - d. Does his/her share. (does lunch duty; makes an effort to support outside activities; etc.)
  - e. Has a positive attitude. Is solution oriented when problems arise.
4. Strives to teach to the diversity of students in the classroom (ethnicity, gender, culture, “ability,” etc.).
  - a. Personalizes instruction.
  - b. Supports struggling students and challenges strong students. “First you open the ceiling; then you set the floor.”
  - c. Sets the expectation that all students participate in class activities.
5. Works well with parents.
  - a. Provides a thorough syllabus at the beginning of the year and posts it on his/her digital portfolio.
  - b. Responds to parents’ questions and concerns.
  - c. Encourages parent participation.
  - d. Maintains a non-defensive posture.
  - e. Writes meaningful, personalized comments.
6. Acts as an advisor for a group of students.
  - a. Acts as the primary advocate for the student, both socially and academically.
  - b. Completes credit checks for all advisees.
  - c. Does a home visit for all new advisees (preferably in the summer before school begins).
7. Is improving as a reflective practitioner.
8. Follows and enforces school rules.
9. Is on time to meetings, classes, and school.



The Vaughn Next Century Learning Center, a public charter school in the Los Angeles Unified School District, developed one of the most complex teacher compensation plans in the country starting in the late 1990s. Several years after it converted to charter status, Vaughn implemented a two-part compensation system: a school-based performance award bonus program and a knowledge and skill-based pay system. Under the bonus program, all teachers are eligible to receive a bonus (\$1,500 in 2000) if the school increases its performance on California's student achievement tests by an amount specified annually by the school. Teachers are individually eligible to receive smaller bonuses for helping to reduce school-wide costs (for example, in 2000 a teacher could earn \$250 if he or she helped reduce expenditures for substitute teachers).<sup>31</sup>

Under Vaughn's knowledge- and skill-based pay plan, teachers qualify for higher base salaries by demonstrating mastery of various competencies. Vaughn has defined several skill areas that are necessary to support its instructional program and structured them into three tiers, each of which offers increasing additions to a teacher's base pay. Three evaluators assess each area of knowledge and skill—an administrator, a peer teacher, and the individual teacher—to determine whether the teacher is eligible for the award. In Tier 1, teachers can earn additional compensation for demonstrating a basic level of literacy expertise, language-development skills, technology skills, special-education inclusion experience, and classroom-management and lesson-planning skills. To reach Tier 2, teachers must have a full California license and score higher in each Tier 1 area. Tier 2 teachers are also eligible for additional compensation for expertise in math, science, social studies, and the arts, and for experience in supporting English-language learners. Finally, Tier 3 provides additional compensation for teachers with the highest rating for all areas in Tiers 1 and 2. In 1999-2000, altogether, teachers at Vaughn could earn an additional \$13,100 on top of their base salary for mastery of these skills.<sup>32</sup>

Evaluations of Vaughn's compensation system by researchers at the Consortium for Policy Research in Education have shown that the majority of teachers are satisfied with the plan, and believe it has helped improve student performance.<sup>33</sup> Nationally in education, however, Vaughn appears to be a standout in the world of knowledge- and skill-based pay, though no survey data about charter and private schools' use of similar compensation systems is available.

## Hard-to-Staff Subjects

Charter and private schools have difficulty staffing positions in math, science, and special education just as district schools do. But both private and charter schools are more likely than district schools to use differentiated pay to attract applicants in these high-demand subject areas. Nearly a third of all charter schools and a fifth of private schools offer incentives to recruit teachers of subjects like math and science, where qualified instructors are in short supply.<sup>34</sup> In both charter and private schools, these incentives are usually offered as additions to base pay. In 2000, 86 percent of charter schools that offered incentives in hard-to-staff subjects built them into base pay, while only 10 percent reported making one-time bonuses (compared to 20 percent of private schools).<sup>35</sup> By contrast, 41 percent of district schools that used pay to fill shortage areas awarded one-time bonuses.<sup>36</sup>



Charter and private schools are willing to pay a larger premium for teachers in hard-to-staff subjects than district schools. Half of charter schools reported that they increase salaries by five to 10 percent in hard-to-staff subjects<sup>37</sup>; private school teachers in hard-to-staff subjects earn eight percent more than teachers of comparable education and experience in other fields. By contrast, in district schools that use incentives in hard-to-staff subjects, overall they appear to provide very little increase in total teacher pay.<sup>38</sup>

In many charter and private schools, incentives in hard-to-staff subjects are relatively unstructured, negotiated between the principal and the teacher and based entirely on demand. At High Tech High, for example, the charter network can expect to receive 100 applications for a typical teaching position, but for a position teaching chemistry, for example, they will typically receive only three. For chemistry teachers and other positions that are difficult to fill, principals in the network are “willing to put extra money on the table if it’s necessary to get who we want.” It is left entirely to the school director’s discretion how to balance a higher salary for these positions with other positions and expenditures in the school’s budget. The same is the case at Salem Academy, where administrators know that “sometimes it takes a little more money to get a math or a science teacher.” But because all initial salary determinations are confidential between the teacher and the administration, “incentives” in hard-to-staff fields are based entirely upon the skills and demands of each teacher, not upon a pre-set formula. Incentives in hard-to-staff subjects at schools in the Catholic Diocese of Raleigh are a bit more structured because the Diocese follows a salary schedule. Still, each school director within the Diocese is encouraged to pay teachers of hard-to-staff subjects more, as needed, by starting them at a higher level on the salary schedule.

## Non-Financial Rewards

Though there is no survey data available about non-financial rewards in these schools, intangible draws such as work environment, training, or flexible leave policies are among the top strategies for recruitment and retention among the charter and private groups we interviewed. Leaders in these schools have a keen sense of what is important to teachers who wish to work with them, and they play on those priorities to draw and keep the best candidates.

Most of these benefits are difficult to quantify, and even more difficult to replicate outside of each school’s unique environment. Schools in the Catholic Diocese of Raleigh, for example, offer teachers “the ability to integrate their faith into their professional life,” which administrators view as their schools’ greatest draw. Administrators also know that some teachers enjoy working with a fairly homogenous student and parent population, and schools in the Diocese, as religious schools of choice, are able to offer a group that is ideologically and philosophically aligned. Salem Academy, though it is nonsectarian, also views its working environment and student population as its greatest assets for teachers. The Academy offers smaller class sizes, high parent involvement, and relatively flexible schedules and leave policies—what Headmaster Bondurant calls, “policies with a heart.”

In addition to work environment, many charter and private schools focus on non-financial rewards that develop teachers’ sense of community and loyalty to their team. High Tech High, for example,



subsidizes the majority of the cost for membership at the YMCA for all its teachers. To the central staff, this benefit is more than a subsidy: “we like it because teachers go together and hang out. It builds culture.” The Knowledge is Power Program (KIPP) offers teachers a travel gift certificate after four years of service “to let them go sit on a beach somewhere and rest.” Salem Academy offers benefits with a similar purpose, putting on events or hosting celebrations from time to time that build “esprit de corps. We know teachers would rather have the money, but they seem to get something out of [the celebrations] that you can’t pay for.”

Some rewards in charter and private schools are more tangible. For example, High Tech High offers its own credentialing program, which was approved in 2004 by the California Commission on Teacher Credentialing. Administrators created the program as an alternative route to credentialing in California because the local teacher certification programs were not offering adequate training in the values and elements of instruction that are most important at High Tech High schools, and they required too much time of talented new teacher candidates. The HTH Teacher Intern Program involves 120 hours of pre-service training and the equivalent of two academic years of teaching practicum. Teacher candidates who are selected for the program earn full-time salaries and benefits as teachers in charter school classrooms while pursuing their preliminary credential.<sup>39</sup> With this program, High Tech High is able to say to new teachers, “Everything you do will be of value of you, you will finish in a minimal number of hours, and it won’t cost you a penny.” The network has had great success attracting candidates through this route: according to COO Jed Wallace, in 2006, the entire University of California system credentialed 290 teachers in Math and Science; San Diego Unified School District certified five. High Tech High certified 17. Wallace says of the program, “When you have high-quality training that costs basically nothing and is also a great convenience for people, they will come to you.”

High Tech High also gives teams of teachers a bankcard each year worth \$2000 to allow them to purchase instructional materials. While this effectively serves as a salary supplement for teachers who might otherwise purchase materials out of their own pocket, it has the added advantage of “making teachers feel they are treated like a professional.” At Aspire Public Schools, teachers are eligible to receive tuition reimbursement as a subset of their benefits. Like High Tech High, Aspire developed this program in response to a perceived need: because many teachers at Aspire schools are recent graduates, they often do not require large contributions to health insurance plans but are burdened by undergraduate loans. In response to this need, Aspire added tuition reimbursement as a part of its “cafeteria” plan, a plan that provides employees with the opportunity to choose between one or more benefits and cash compensation.

## **Implications for Public School Compensation Policy**

National survey data and interviews with representative charter and private schools and networks reveal many compensation innovations designed to recruit and retain high-quality teachers. Strict salary schedules play a much smaller role in these schools in determining teachers’ base pay. Many charter and private schools do not use a schedule at all, and even those that do tend to use it as a starting point rather than the sole determinant of teachers’ pay. Charter and private schools are more likely



than district schools to tie some portion of teachers' pay to performance, and a significant number also use higher pay to fill hard-to-staff positions. And these schools also make much greater use of non-financial rewards than district schools to draw and keep the best teachers.

By themselves, none of the specific pay approaches chronicled above stand out as "the answer" for public school compensation reform. Most of them, in fact, are already in use in some district settings, or have already been proposed as policy changes. If one hopes to find a "model" approach to teacher compensation and simply import it into the district setting, one is likely to be disappointed.

What does emerge from all of this data and examples is not so much a model as a picture of school leaders in the charter and private sectors *trying to use compensation as a tool to meet their goals*. In public school districts, compensation is not typically a "tool" at all. District school principals don't "use" compensation in any meaningful sense. Their teachers get paid by the central office, which itself simply reads each teacher's pay off of a salary schedule. In at least some charter and private schools, by contrast, school leaders actively use the resources in the salary pot to get things done, like recruiting particular teachers they desperately want to hire, or keeping one they cannot afford to lose.

Whether all of this leads to better results for students, of course, is a question this survey data and anecdotes cannot answer. The experience of these schools is interesting not because it proves that these alternative approaches to paying teachers are "better," but rather because it provides a picture of what school and system leaders do with pay when they have a choice and when they feel some level of accountability for their choices.

Interestingly, discussions about reforming teacher pay in the public system generally revolve around moving from the current formulaic salary schedule to some other formulaic system: a set supplement for math and science teachers, a specific dollar bonus payable if certain test score results are achieved, a particular pay increase for moving to a low-performing school. While these ideas are significant deviations from the way pay currently works in public districts, they do not deviate at all from one of the central tenets of current arrangements: that each teacher's pay should be determined formulaically based on a set of objective factors.

By contrast, when given the chance to innovate in the charter and private sectors, school and system leaders do not appear inclined simply to create a new formula-driven system. Instead, they appear inclined to throw out the very idea of formulas, substituting instead the idea of discretion in pursuit of goals. At Salem Academy, for example, the school's governing board does not make decisions about individual teacher salaries. Instead, it gives the headmaster a set number of dollars for salaries and a set amount for raises each year, and the headmaster has the discretion to allocate them as he sees fit. At Vaughn New Century Learning Center, too, decisions regarding pay are made through a decentralized and inclusive governance structure that includes all staff in the decision-making process, rather than relying on a traditional collective bargaining process.<sup>40</sup> Even in networks of schools that more resemble traditional public school systems, such as High Tech High schools or schools in the Catholic Diocese of Raleigh, salary recommendations come from the central office but decisions are ultimately left to each individual school director.



The resulting school-based decision-making allows school principals to adjust salaries to the individual needs of their schools and to market realities in their communities.<sup>41</sup> It provides room for creativity in teacher compensation and programs that directly respond to teachers' needs, such as the teacher credentialing program at High Tech High or the tuition reimbursement program at Aspire Public Schools. As noted above, it makes pay truly a "tool," among other tools, that schools can use to pursue their objectives. It allows schools to try different approaches, discarding the ones that do not work and keeping the ones that do. It makes it possible to evolve pay systems over time, adapting to new realities and new needs.

So what are the implications of all of this for public sector teacher compensation reform? Some would argue that the entire public system should be shifted to this kind of full-discretion approach to teacher compensation. That kind of wholesale change, however, seems exceedingly unlikely. Instead, what may make most sense is to envision a two-track approach to compensation reform.

On one track, policymakers could work to make teacher pay more performance- and market-driven, but still within the context of a formulaic, schedule-based system. Policy changes could include pay-for-performance based on value-added test score growth, higher pay for filling hard-to-staff positions, higher pay for teaching in hard-to-staff schools, or any number of other approaches to "paying for contribution" rather than just for experience and degrees.<sup>42</sup> Such changes would make the baseline system of teacher compensation more likely to attract and retain effective teachers and to place them where they are needed the most.

On the other track, policymakers could seek ways to bring the same kind of dynamism, experimentation, and flexibility that we see in charter and private schools into the public school system. Charter schooling, in effect, is already such an approach; state policymakers have basically allowed a particular subset of public schools—charter schools—to have the kind of discretion that is commonplace in the private sector. Following this track, policymakers could allow additional schools to enter a similar regime, perhaps based on their past performance or willingness to accept stricter forms of accountability. While most schools would remain in a formulaic (though improved) system, a growing subset could be part of a dynamic segment that, ideally, would produce lessons over time that could be widely adopted in the public system.

In thinking through the design of such a discretionary system, policymakers could learn a great deal from the experience of leading charter and private schools, especially those grouped into district-like networks. Specifically, their experience suggests that discretion-based pay systems need a host of supports in order to work optimally, including:



- **Principal capacity.** Principals in district schools are not accustomed to budgetary discretion, especially when it comes to compensation, and would likely require development in this area. The annual training and ongoing support offered to principals in the Aspire Public Schools network may be a useful model for helping principals learn to control their school budgets and develop and manage teachers to achieve their school’s goals.
- **Alignment with other tools to improve teaching quality,** such as targeted professional development and evaluation as well as school-level authority to hire and fire. In most charter and private schools, for example, teachers who fail to meet the school’s performance expectations can be let go. At High Tech High, “one or two teachers will sometimes be asked to leave at the end of their first year. But usually, they are asked to leave before Thanksgiving.” In High Tech High schools, says COO Jed Wallace, “you either get it or you don’t. There isn’t any room for someone who isn’t an excellent teacher.” When school leaders are free to fire teachers who do not meet performance expectations, the majority of those who remain are likely to receive at least a portion of any merit award. Pay innovations may be more attractive in this setting, where the common concern in district schools about great inequities in teacher pay is unlikely to apply.
- **Strong incentives for performance.** As schools of choice, both charter and private schools are responsive to market pressures that often do not apply to district schools, and are likely to face greater competitive sanctions if they fail to attract and retain teachers who sustain the school’s performance and reputation. In many charter and private schools, this sense of direct accountability permeates the organization all the way down to teachers’ skills and performance. In district schools, differentiated pay or incentives for performance present a significant departure from professional norms. But in many charter and private schools, incentives and rewards for teacher skills and performance are a natural extension of each school’s culture of accountability.

This last point makes clear how much of a chicken-and-egg problem we face in reforming public education. In policymaking, we are constantly seeking out ways to create more of a “culture of performance” in schools, such as changing teacher pay in ways that reward contribution. And yet it also appears that performance pay and similar systems are likely to work best when there is already a culture of performance. The two-track approach to policymaking described here would work both sides of that chicken-egg problem, nudging the system toward a performance culture through incremental changes in our formulaic systems, while at the same time expanding the subset of schools in which a culture of performance creates a hotbed for new developments—in pay, but in other aspects of school practice as well.



## Endnotes

- <sup>1</sup> Hassel, E.A. & Hassel, B.C. (2007). Untitled policy report on teacher compensation reform, forthcoming from the National Governors Association Center for Best Practices.
- <sup>2</sup> Coleman, James S., Ernest Q. Campbell, Carol J. Hobson, James McPartland, Alexander M. Mood, Frederic D. Weinfeld, & Robert L. York (1966). *Equality of educational opportunity* (“The Coleman Report”). Washington, D.C.: U.S. Government Printing Office; Sanders, W. & Rivers, J.C. (November 1996). “Cumulative and residual effects of teachers on future student academic achievement.” Knoxville: University of Tennessee Value-Added Research and Assessment Center; Goldhaber, Dan (Spring 2002). “The mystery of good teaching.” *Education Next* no. 1.
- <sup>3</sup> Here we define charter schools as public schools that operate under the terms of a contract, or charter, that exempts them from many state or local rules and regulations. Charter schools may be newly created or a conversion from a public or private school.
- <sup>4</sup> Private schools include those institutions not in the public system that provide educational services at the K-12 level and are located in a building that is not used primarily as a private home.
- <sup>5</sup> The Center for Education Reform (October 2005). *National charter school data at a glance*. Washington, DC: Center for Education Reform.
- <sup>6</sup> National Council on Teacher Quality (October 2004). *Attracting, developing and retaining effective teachers*. [http://www.nctq.org/nctq/images/us\\_bkgrd\\_reprt.pdf](http://www.nctq.org/nctq/images/us_bkgrd_reprt.pdf).
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- <sup>9</sup> NCES (2002). Ninety-six percent of traditional public schools reported using a salary schedule in 2000.
- <sup>10</sup> Podgursky, M. & Ballou, D. (August 2001). *Personnel policy in charter schools*. Washington, DC: Thomas B. Fordham Foundation.
- <sup>11</sup> NCES (2002). There are differences among different types of charter schools. In conversion charter schools, the average base salary for teachers with a bachelor’s degree and no experience was \$28,754; in newly-created charter schools, teachers began at an average of \$26,662, and at \$24,804 in charter schools that originated as private schools.
- <sup>12</sup> NCES (2002). In private Catholic schools, salaries started at \$20,310 and topped out at \$35,543.
- <sup>13</sup> NCES (2002).
- <sup>14</sup> Podgursky & Ballou (2001).
- <sup>15</sup> Provided by the Catholic Diocese of Raleigh, NC.
- <sup>16</sup> Odden, A. (Spring 2001). *Rewarding expertise*. *Education Next* no. 1.





- <sup>17</sup> Podgursky & Ballou (2001).
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- <sup>23</sup> Ballou (2001).
- <sup>24</sup> Ballou (2001).
- <sup>25</sup> Ballou (2001).
- <sup>26</sup> Ballou (2001).
- <sup>27</sup> Podgursky & Ballou (2001).
- <sup>28</sup> Podgursky & Ballou (2001).
- <sup>29</sup> Podgursky & Ballou (2001).
- <sup>30</sup> The High Tech High Teacher evaluation form and other resources are available at the High Tech High website, <http://www.hightechhigh.org/resource-center/>.
- <sup>31</sup> Odden (2001).
- <sup>32</sup> Odden (2001).
- <sup>33</sup> Odden (2001). See also Kellor, E.M. (May 2003). *Catching up with the Vaughn express: Four years of performance pay and standards-based evaluation*. Madison, Wisconsin: Consortium for Policy Research in Education.
- <sup>34</sup> Ballou & Podgursky (2001).
- <sup>35</sup> Podgursky & Ballou (2001).
- <sup>36</sup> Podgursky & Ballou (2001).
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- <sup>40</sup> Odden (2001).
- <sup>41</sup> For discussion, see Ballou & Podgursky (2001).
- <sup>42</sup> Hassel, E.A. & Hassel, B.C. (2007). Untitled policy report on teacher compensation reform, forthcoming from the National Governors Association Center for Best Practices.

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**1333 H Street, NW, 10<sup>th</sup> Floor**  
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**Tel: 202.682.1611 • Fax: 202.682.1867**  
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