# The Best Laid Plans:

# Designing Incentive Programs for School Leaders

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# The Best Laid Plans:
# Principal Incentive Programs in the Teacher Incentive Fund

**Peter Goff, Ellen Goldring, and Melissa Canney**

In an era of heightened accountability and limited fiscal resources, school districts have sought novel ways to increase the effectiveness of their principals in an effort to increase student proficiency. To address these needs, some districts have turned to pay-for-performance programs, aligning leadership goals with financial incentives to motivate and direct leadership efforts.

Pay-for-performance strategies have been applied to schools for decades (Barraclough, 1973; Educational Research Service, 1979; Kienapfel, 1984) but have expanded in scope and scale to now operate through public and private channels at the national, state, and district levels. These incentive programs have historically focused on teachers, but in recent years they include principals as well.

The research presented here examines pay-for-performance plans for school principals, presenting the plans' key features and defining programmatic elements within a framework that focuses on key decisions that need to be made while designing incentive systems. In so doing, this analysis provides a descriptive overview of how pay-for-performance programs for school principals are conceptualized and developed while illustrating novel approaches, common shortcomings, and creative solutions to challenging dilemmas.

We base our analyses on the prevailing literature on teacher performance pay and related work from the business and public sectors to develop a framework of essential components that we apply, via document analysis, to 34 funded proposals from the federal Teacher Incentive Fund (TIF). This framework does not dictate the *form* of performance pay systems; rather it identifies the requisite considerations with which system designers must grapple as they construct the incentive architecture. We use this approach to address the following research questions:

1. What are the defining characteristics of pay-for-performance programs for school leaders, as conceived by practitioners across the country?
2. To what extent do practitioner-developed pay-for-performance plans for school leaders align with a robust design framework?

We chose to analyze the TIF grants because the program is one of the largest and most prominent avenues open to all school districts in the United States to implement incentive pay for principals. Through this analysis we learn about the prevailing pay-for-performance plans for principals and reach conclusions about their strengths, weaknesses, and likelihood for success.

## Principal Incentives through the Teacher Incentive Fund

The federal government initiated TIF in 2006. By the end of 2012, the fund had awarded more than $1.5 billion in grant monies aimed at providing high-need schools funds and technical assistance to link performance measures to monetary rewards for principals and teachers. TIF requires all proposals to include incentive plans for principals All of the 34 funded proposals from the first two of three rounds of TIF competition constitute the basis for this analysis.[1]

To support applicants in crafting their proposals, the U.S. Department of Education offered technical workshops, conferences, and webinars to review selection criteria and requirements. For principals' performance compensation, proposal guidelines required that applicants must (a) give significant weight to student growth in achievement, (b) include observation-based assessments of principals' performance at multiple points in the year, (c) demonstrate that incentive payments will be substantial and justify the level of incentive amounts chosen, and (d) provide evidence that the proposed plan aligns with a coherent and integrated strategy for strengthening the educator workforce.

TIF applicants were supplied with a scoring rubric to aid in the preparation of their plans. Fifty of a possible 100 points were to be awarded for the quality of the program design. To obtain the full 50 points, applicants had to (a) link performance to changes in student achievement, (b) describe how the program develops principals (and teachers) while building capacity, (c) use valid and reliable measures, and (d) implement a fair and rigorous performance evaluation program. As outlined in more detail below, these selection criteria of the TIF are in keeping with the U.S. Department of Education's educational goals as well as key components of a design framework for developing pay-for-performance systems.

## Incentive System Design

The goal of this inquiry is to document the proposed practices and programmatic features used in leadership incentive systems across the nation. The design framework we construct here outlines the most important considerations that must be engaged when developing pay-for-performance systems. In some domains of our design framework, such as the reliability of measures, predefined benchmarks and standards exist. However for many other design elements, there is no singular correct feature, and throughout our framework, we emphasize the *options*, rather than the *result*. We use our design framework to present common options and the trade-offs that need to be considered when selecting an option within any design element.

We view each of the design elements we present below to be essential to a well-defined pay-for-performance system. That is, neglecting any particular element is detrimental to the incentive program overall. This strategy allows our analysis to be *descriptive*—identifying the various choices each organization made in their pay-for-performance system—while also

[1] At the time of this analysis, proposals funded for Round 3 had not yet been released.

*evaluative,* as organizations that have not articulated their preferred approaches have underdeveloped designs.

## System Elements

A growing body of evidence relates to the design, implementation, outcomes, and effectiveness of teacher incentive pay programs (Springer & Balch, 2009). In contrast, relatively little has been published about the design of incentive pay structures for school principals and other educational leaders. Nevertheless, as noted above, the TIF requires applicants to include incentive pay structures for both teachers and principals in their proposals. To better understand the unique position of principals the TIF grants cover, we refer to published literature on principal pay and evaluation as well as incentive and accountability design structures in education broadly.

A review of compensation and evaluation literature reveals three broad categories for a design framework of incentive systems: measurement, rewards, and program structure (Odden & Kelley, 1997; Podgursky & Springer, 2007; Springer & Balch, 2009). Measurement refers to the domains of measurement, the quality of measures, the capacity of evaluators (those implementing the measures), and the frequency of measurement. Reward considerations include the reward type, size, and frequency. Finally, program structure includes competitive structure, benchmarks, and the linkage of performance to rewards. Each of these categories is discussed further below.

### *Measurement.*

*Domains of measurement*. The multidimensional nature of school leadership requires an evaluation process that can measure the varied leadership dimensions effectively (Smither, London, & Reilly, 2005). At the same time, dimensions should be chosen carefully and used judiciously, as too many may lead to confusion in interpreting results or supporting payout decisions (Gerhart & Milkovich, 1992). The challenge lies in determining the optimal balance of leadership measures. Goldring et al. (2009) emphasize the complexity of the principal's role and duties, and they suggest that evaluations measure four domains of principal effectiveness: responsibilities, knowledge, processes, and organizational outcomes.

*Quality of measures.* Regardless of the domains, the measurement instruments used are expected to meet minimum standards of validity and reliability (Carmines & Zeller, 1979). Measurement validity is demonstrated by providing evidence that the instrument accurately measures the domain it purports to measure; reliability is demonstrated by providing evidence that the instrument functions with a small error variance, that is, the instrument is precise (Milgrom & Roberts, 1992).

*Evaluator capacity.* Principal assessments often presume that evaluators have the expertise to perform sound leadership assessment based on their position as supervisors in the hierarchy. However, in practice, districts may not specifically identify who performs the evaluation or fail to provide adequate training or support to the evaluator (Goldring et al., 2009).

Such ambiguity can be problematic if district staff lack the appropriate skills to evaluate school leadership, leading to miscommunication in the expectations of the principal evaluation process. Kienapfel (1984) writes that ideally, principals should be assessed by a well-trained immediate supervisor to facilitate the communication of expectations in both directions throughout the year. Any evaluation process that relies on the professional judgment of an individual should clearly articulate who is conducting the evaluation and what training has been provided.

It is now commonplace for measures of student growth to be associated with teachers and principals. The statistical modeling required to generate value-added estimates can be technically demanding: Just as supervisors may need training to accurately evaluate school leaders, data management personnel may need assistance constructing valid school or teacher value-added models, either through training or by contracting with educational consultants who specialize in quantitative modeling or observational evaluation techniques.

*Frequency of measurement.* In almost every state, principals are evaluated at least once annually (Goldring et al., 2009), although assessments can occur more frequently. When measurements are evaluative in nature and are intended to serve as incentives through performance bonuses, principals' effectiveness and leadership should be measured more than once per year (Murphy, 1999). These assessments can be either formative or summative, and may consider different types of data at different points throughout the year.

***Reward considerations.***

*Type of reward.* Individuals in the public sector may be less driven by financial rewards than those in the private sector, suggesting that alternative forms of compensation may be feasible (Borjas, 2002). Social psychological literature on public service motivation argues that these individuals may not respond to incentives related to performance or commitment, rather, they seek to contribute to the public good to satisfy personal needs (Courty, Heinrich, & Marschke, 2005; Perry & Porter, 1982; Perry, Hondeghem, & Wise, 2010; Rainey, 1982). The same logic likely holds in education, where teachers may be less responsive to financial incentives. As a result, many school systems reward teachers for exceptional performance by offering improved working conditions, paid leave, mentoring and induction programs, and job expansion (Springer & Balch, 2009). Because the overwhelming majority of principals are former teachers, it is likely that principals also view their profession as a form of stewardship, suggesting that non-monetary rewards could be used to motivate their performance as well.

*Reward amount.* Although program designers may want to consider integrating some non-pecuniary incentives, in practice monetary rewards often dominate incentive plans. Despite the prominence of financial rewards, there is limited evidence regarding the optimal size of monetary bonuses for principals within incentive pay programs; however, several studies on the size of teacher incentive pay programs may provide useful insights into program design. Analysis of the Texas Educator Excellence Grant demonstrates that bonus awards range from 0.4% to 365% of a teacher's monthly salary (Springer & Balch, 2009). Translated into dollar amounts, these bonus awards ranged from $20 to $20,462, with the majority of teachers awarded

between $1,000 and $3,000, Springer et al. (2008) found. Relative to total salary, this represents approximately 2-6% for early career teachers and 1-3% for more experienced teachers. Several studies suggested that, in general, bonus awards for teachers were so small that the motivational value of most incentive systems had been compromised (Chamberlin, Wragg, Haynes, & Wragg, 2002; Heinrich, 2007; Malen 1999; Taylor & Springer, 2009). Evidence from the Project on Incentives in Teaching study in Nashville, Tennessee, suggests that even large incentives for teachers (a possible $5,000-$15,000 awarded for performance between the 80th and 100th percentile in middle school math achievement) do not necessarily translate into student achievement gains. However, the study examined only the influence of an incentive pay program for student achievement and did not address other factors related to teaching and learning. In contrast, Fryer, Levitt, List, & Sadoff (2012) applied a loss-aversion framework, providing teachers with a bonus and requiring the bonus be paid back if certain levels of student growth were not reached. The authors found significant growth in student academic achievement when teachers' maximum bonuses were $8,000 and expected bonuses were $4,000. Collectively, these findings suggest that reward amounts of $4,000 per year may be adequate to induce measurable change in performance, but the reward amount must be considered in conjunction with other elements of the incentive system.

*Frequency and timing of payment*. Hollensbe and Guthrie (2000) found that most incentive-pay programs in the United States distribute awards only once a year, as they are often dependent on end-of-year assessments. Springer and Balch (2009) note the practicality of aligning performance awards with the end-of year assessments while advocating for reducing the time between assessments and award to create a more transparent link between action and reward. Fryer et al. (2012) provide an interesting counterpoint to the conventional order of perform, assess, reward. In a randomized experiment, they provided teachers with their bonuses *first*, with the prospect of losing the bonus in the future if targets were not met, building upon loss-aversion literature. This approach showed modest increases in student performance for teachers who received the bonuses. Pay-for-performance programs need to be clear about how often rewards are distributed, balancing the need to provide the reward close to the assessment with other logistical considerations.

***Program structure.***

Part of the logic underlying pay-for-performance systems is that they reward individuals for meeting predefined performance goals. How practitioners structure goals is a key consideration in the design of compensation systems. Here we consider the competitive structure (group or individual rewards), the importance of setting benchmarks (normative or criterion referenced), and definitions of the structure that links performance to rewards.

*Competitive structure.* The compensation literature includes substantial debate on the trade-offs between group versus individual incentives. This topic is particularly important given evidence that educators may be somewhat less motivated by financial rewards and more motivated by collaboration. The logic of supporting a group approach among educators is that peer motivation, an enhanced feeling of teamwork, and the belief that the benefits of one's

contribution extend beyond the individual each complement the motivation of financial incentives (Guthrie & Hollensbe, 2004). For educators who are motivated by an ethos of stewardship and have a professional drive to support their community, group rewards may have noticeable benefits. While individual incentives have been shown to be superior for accountability purposes (by mitigating the problems of free-ridership), they may stifle collaboration in ways that group incentives do not (Blinder, 1989; Brown & Heywood, 2002; Brown & Armstrong, 1999).

The concern that competition may limit collaboration for school principals is mitigated by the organizational structure of schools, as principals can only be compared across (rather than within) schools. Nonetheless, a distributed leadership perspective (Spillane, Halverson, & Diamond, 2001) suggests that incentives designed for the leadership team rather than the principal alone may better promote within-school collaboration. An alternative strategy to introduce a group dynamic might be to make principal rewards a function of teacher rewards.

*Setting benchmarks*. When considering the competitive structure, designers of pay-for-performance programs must choose between criterion-referenced or norm-referenced benchmarks (Lavy, 2002). A norm-referenced structure that rewards the top 20% of principals creates competition, which may enhance program efficacy. One drawback to the norm-referenced system is that all the principals may fall below an absolute measure of effectiveness and the top portion will still be rewarded. Similarly, all principals may achieve above expectations and still only the top portion receives bonuses.

Compensation systems with criterion-referenced benchmarks can create budgeting challenges because all the participants could qualify for rewards, at significant cost to the district. However, this approach may better reflect the organizational culture of schools, which are heavily invested in student, teacher, and leadership standards. Before implementing a norm-referenced competitive structure, program administrators should have a reasonable understanding of how principals' performance is distributed relative to a benchmark and how this distribution is likely to change with the introduction of performance incentives. Criterion-referenced standards also require districts to clearly define their performance expectations of school leaders.

*Linking performance to rewards*. The complexities of mapping performance to rewards is exemplified by three scenarios using only one measure—student academic achievement: First, consider the scenario where a principal receives $5,000 if 75% of his or her students are proficient or above in reading on the state exam. In a second scenario, a principal receives $66 for each percentage point of students at or above proficient, up to $5,000. In the third scenario, a principal receives $100 for each percentage point of their students at or above proficient, but this bonus does not start until 25% of students are at or above proficient and is capped at $5,000. In each scenario, principals receive $5,000 for having 75% of their students at or above proficient, yet the mechanisms linking performance to reward—and the implications for policy and practice—differ. In the first scenario, we can generalize to a binary, *all-or-nothing* linking mechanism that gives the complete reward for demonstrated performance over a certain level. As

illustrated by the second scenario, rewards could also be linked along a continuous *scaling* function (in this case, linear) where a unit increase on the assessment is proportional to the unit increase in reward. In the third scenario, we introduce the potential for variation, showing a linking mechanism that does not start generating rewards until a minimum threshold is reached. Other variations clearly exist: Programs can be designed to provide a lump-sum bonus for reaching a predefined level and then provide incremental rewards; piecewise functions are also an option, where principals may receive $50 per percentage point of their students above proficient, but $75 for students above the advanced level.

When additional measures are introduced, we can think of additional variations on the above linking strategies. Pay-for-performance systems may develop "gateway" measures where a level of performance on one or more tasks must reach a minimum threshold before the participant is eligible for the pay-for-performance rewards. Such gateway measures may be attendance at professional development sessions or demonstrating progress on high-stakes exams.

Springer and Balch (2009) suggest the above approaches are promising for defining the required level of performance. Each linking strategy has advantages and challenges. Binary, or *all-or-nothing*, linking systems, for example, may encourage a narrow focus on the minimum bar, neglecting the possibility to reward growth up to or below that bar. The benefits of *all-or-nothing* linking systems lie in their ability to create a clear and readily definable goal for principals to work toward.

Table 1 summarizes the key criteria that should be considered when designing a performance pay system that focuses on measurement, rewards, and program structure.

## TIF Proposals

This study examines all 34 funded TIF proposals from Rounds 1 and 2 of the program representing 1,315 high-need urban or rural schools as described in the appendix. The average number of schools covered by a proposal was 34, although the numbers ranged from one to 116 schools. Three proposals represented charter schools (n=59); all other proposals were for traditional public schools. Additional information on the funded grants we examine is presented in the appendix.

## Methods

This study used a directed content analysis approach (Hsieh & Shannon, 2005), in which we extracted a pay-for-performance framework from extant literature on employee compensation and incentive plans. Before preparing any description, two authors read all proposals in their entirety to acquaint themselves with their form and substance. After reading all the proposals, we revised our framework, as it was clear that the proposals did not contain the level of specificity

needed to adequately address all the points in the initial coding plan.[2] Two authors read and coded the proposals independently and discussed with the third author any discrepancies to arrive upon a mutually agreeable understanding of the material and to ensure consistency in coding.

Using concepts in the literature, we coded our data using a three-stage framework. The first stage focused on elements of measurement, the second stage examined performance rewards, and the third stage attended to the structural elements of the plan.

***Table 1.*** **Summary of key elements of pay-for-performance plans**

| | Questions and Considerations |
|---|---|
| Measurement | |
| **Domains of Measurement** | How many measures are used? What areas of leadership are being measured? |
| **Quality of Measures** | Have the measures been used in other settings? What evidence is available to support instrument validity? What evidence is available to support instrument reliability? |
| **Evaluator Capacity** | Who is conducting the evaluations? Who is constructing the growth models? What training or supports are needed to ensure a valid evaluation process? |
| **Measurement Frequency** | How frequently are measures collected? How soon can feedback be provided? |
| Reward Considerations | |
| **Reward Type** | Will all rewards be monetary? What other rewards might motivate participants? |
| **Reward Amount** | How large is the ideal bonus? Is the bonus sustainable? |
| **Reward Timing and Frequency** | How often are bonuses paid? Are bonuses paid by each measure or is the incentive one payment for a collective group of activities. |
| Program Structure | |
| **Competitive Structure** | Will participants respond best to group or individual incentives? |
| **Setting Benchmarks** | Will excellence be defined as performance relative to peers or will excellence be defined as performance relative to a set standard? |
| **Linking Performance to Rewards** | How will demonstrable performance be linked to performance incentives? |

[2] Our initial coding scheme had, for example, several categories regarding key methodological and statistical considerations for measures of student academic growth. With few exceptions, proposals did not include such information upon which we could determine whether student growth measures were valid or reliable. Similar omissions and vagaries in other domains led us to develop the more general coding categories we have applied here.

# Results

## Measures

Following the framework outlined above, this section details the measures included in the TIF proposals, addressing the number of measures used, the quality of the measures, evaluator capacity, and the frequency with which measures are collected. The plans for pay-for-performance systems for school principals considered many common measures, including improving raw student achievement, achieving various conceptions of student achievement growth, providing professional development, providing leadership coaching, facilitating the teacher incentive program, undertaking teacher performance reviews, and creating staffing incentives. To some extent, the variety in measures is an artifact of the TIF guidelines, which stipulate that all proposals must (a) give significant weight to student growth and (b) include observation-based assessments of teacher and principal performance at multiple points in the year. Table 2 shows the frequency of the various measures as they appeared across proposals and how often one measure was combined with another.

Looking at the third row of the first column in Table 2, we see that 20 proposals intended to pair student achievement with a professional development component. Similarly, 23 proposals paired student achievement measures with some form of performance review. The least frequently employed measure was leadership coaching (six) while the most commonly employed measure that was not explicitly mandated by the TIF application requirements was professional development (20). The number of measures included in the average proposal ranged from two to five, with an average of three measures in any given proposal. We now turn to a discussion of the specific measures.

***Student achievement growth.*** The first row of Table 2 shows that 33 of the 34 proposals used some form of a student achievement measure (as required[3]). Our coding rubric, originally intended to document the ways proposals overcame issues of accurately measuring student achievement growth by including categories such as which value-added model was employed (e.g., gain model, persistence model, non-parametric approach, etc.), how the model was parameterized (e.g., the number of lagged values, selection of control variables, etc.), and how multiple tests were aggregated. We also hoped to learn how states determined which schools were included in the sample and how they selected their comparison group: Were the growth models applied to only the schools in the proposal or were all schools in the state included in the analysis?

Despite the importance of these elements in modeling student growth (e.g., Ladd & Walsh, 2002), the vast majority of proposals were not specific enough to determine how applicants intended to convert student achievement into valid and reliable growth measures related to school leadership. In conflict with the explicitly stated student academic growth requirement of the grants, seven funded proposals failed to take any measure of student growth

[3] The one grant recipient that did not have a student achievement component for principal incentives has an existing incentive program based on school value-added and is using the TIF grant to incentivize other aspects of leadership, namely leadership training.

and instead used an absolute measure of student achievement (typically measured as the percentage of students above a cut-score).

***Table 2.*** **Counts of measures used in the 34 TIF proposals, as they appear in conjunction with other measures**

| | Student Achievement | Performance Review | Professional Development | Staffing | Program Facilitation | Coaching |
|---|---|---|---|---|---|---|
| Student Achievement | 33 | | | | | |
| Performance Review | 23 | 24 | | | | |
| Professional Development | 20 | 18 | 21 | | | |
| Staffing | 12 | 7 | 6 | 13 | | |
| Program Facilitation | 10 | 7 | 5 | 3 | 10 | |
| Coaching | 6 | 7 | 6 | 3 | 1 | 6 |

All applicants proposed using their state assessments to determine student growth, and several planned to contract with outside assessors to test students in traditionally non-tested grades or to implement benchmark assessments to measure progress mid-year. Some proposals note the use of additional, teacher-developed assessments. Teacher-developed exams can be useful for formative processes, informing teaching and learning, but using these tests with unknown psychometric properties as a growth metric could be problematic. On the whole, proposals did not identify how their locally developed assessments are to be factored into their growth model. None of the proposals that planned to use teacher-developed assessments made note of scaling and validity concerns, suggesting that many applicants may be unaware of the basic measurement requirements of multi-assessment growth models.

***Performance review.*** Twenty-four applications proposed integrating some form of a leadership performance review into their principal incentive system. Performance reviews included such components as supervisor evaluations, walk-throughs, and multi-source (e.g., parent or teacher) feedback. None of the proposals supplied information about the reliability of validity of these measures. That said, the format of the performance review component was often the most developed category across all the proposals, generally including multiple time points and multiple measures. Of the 24 proposals including performance reviews, 15 would conduct multiple reviews during the school year. Most proposals sought to incorporate multiple sources into the review process, including teacher perspectives, parent perspectives, observational components, conferences, and artifact (e.g., portfolio) evaluations.

However, nearly all proposals suffered from common failings in their performance review program. As noted, most proposals include multiple assessments, often from multiple stakeholders over the year; however, few stipulated how these assessments should be converted into a final evaluation. In Florida, Orange County's Recognizing Excellence in Achievement and

Professionalism (REAP) program was an exception in stating that only the third (final) performance review would be considered in the incentive program. As with the student achievement component, we note that none of the proposals identified how the various performance review measures (e.g., teacher evaluations and observer evaluations) are weighted in the overall performance review.

***Professional development.*** Another measure included in many proposals was participation in leadership professional development. As with student achievement growth, we noted a lack of specificity in the proposals. Although professional development was a key component in 21 of the proposals, we found that applicants seldom explained how they would integrate professional development into the incentive system. That is, few proposals contained information explicating how professional development participation would be measured and rewarded, how frequently principals would be rewarded for their involvement in professional development, whether participants would be responsible for producing a deliverable product upon completion of the professional development program, or who was responsible for evaluating the principals' participation.

Several proposals presented professional development as a core component of the incentive system, selecting professional development components to complement the needs of the school. Such programs tended to focus on one key area of development, such as cultivating professional learning communities, and sustained this focus on professional development through multiple meetings across the school year. The proposals that designated professional development as their primary incentive mechanism were quite thorough in explaining the programmatic rationale and structure of the professional development, yet they fell short of articulating how they would integrate it into the incentive program and what the expectations were, beyond simply participating in the professional development. There was little to no articulation of who was tracking participation and what levels and types of participation would merit the proposed incentives.

Further, the majority of the proposals with professional development components offered to compensate principals for attending professional development without specifying its aim or alignment to the school or district needs. Nearly all proposals failed to distinguish between participation in district-mandated professional development programs and additional professional development opportunities offered as a result of the incentive program.

In addition, meaningful measurement of professional development activities was lacking. Attempts to define what principals would be required to do were often vague: "Principals from all four districts will participate in Professional Learning Communities at a minimum of twice a year," a New Mexico proposal noted. These omissions raise questions, such as what constitutes participation—attending most sessions or active involvement in all sessions? And, is participation reported by the principal, the group supplying the professional development, or a district representative? Notably, four proposals specified measures of professional development beyond "attendance" or "participation." Cumberland County, North Carolina, for example,

required principals to use professional development to create professional growth plans. Pittsburgh's Principal Incentive Program included an assessment of applied professional development concepts, and Maryland's FIRST program required principals to document how they implemented aspects of their professional development program in their school.

Four of the 21 proposals using professional development as an incentive measure specified who would be measuring the professional development component; however, these plans were vague (e.g., district, steering committee, and supervisor) and provided no information as to training or preparation of the reviewers. This deficit was a common across measures.

***Staffing.*** Designed to attract individuals to lead challenging schools that have difficulty attracting and retaining effective leaders, staffing incentives were included in 13 of the 34 proposals. The measurement of the incentive occurs when a principal accepts a new position in a school meeting predefined criteria. One challenge to using staffing incentives is that, if the incentive amount is too small, the applicant pool does not change and the only people receiving the staffing bonuses are the people who would have worked in that position without the incentive. None of the proposals presented a compelling strategy (such as demonstrating superior prior results) to mitigate this threat or to ensure that the principal taking the staffing incentive presented evidence of any prior leadership effectiveness.

***Program facilitation.*** Ten of the proposals rewarded principals for some form of program facilitation or implementation. These included principals conducting classroom observations and evaluations, scheduling or taking attendance during teacher professional development, or reviewing teacher work products (performance logs, portfolios, or self-improvement plans) to facilitate the teacher portion of the incentive plan. Measurement of these program facilitation components takes place, presumably, when the principal submits the materials, although the timing of this process is not clear. Although it would be unrealistic to expect evidence in favor of the validity and reliability of the program facilitation measures, we expected some documentation regarding how program facilitation would be measured and who would be collecting this information. This information was uniformly absent from the 10 applications that proposed using program facilitation in their pay-for-performance plan. In sum, the applications provided no guidance to determine whether a principal provided exemplary, acceptable, or inadequate program facilitation. We question whether these types of measures would serve as compelling incentives for a principal to change behavior, as in some instances these components are already part of a principal's responsibilities.

***Coaching.*** Six proposals incorporated participation in leadership coaching (or mentoring) in their incentive program. Each one provided incentives to principals who participated in coaching relationships, with meeting frequency ranging from weekly to monthly; two proposals did not include any information on coaching frequency. Three proposals that explained how coaching would be evaluated using attendance or deliverables as part of the measure, yet they were unclear as to who would collect and evaluate these measures.

Overall, measures were incompletely defined and insufficiently developed to specify how they relate to measurement quality (validity and reliability), evaluator capacity, and measurement frequency.

## Rewarding Performance

Performance rewards are a central component of any incentive plan, and we focused on three criteria of performance rewards: type, amount, and timing and frequency. We found no evidence that any applicants considered non-pecuniary rewards for school leaders.

Participants must see the probability of receiving an award and the amount of the reward as sufficiently large to modify their behavior, but it should be noted that the probable reward differs in distinct ways from the possible reward. For example, a reward of $10,000 may be sufficient to modify behavior if the principal perceives the criteria to be reasonable and success to be probable. Alternatively, a reward of $80,000 or more may fail to motivate principals if the criteria are unattainable, such as an all-or-nothing goal to have 100% of students show 1.5 years' growth in academic performance. For the purpose of this paper, we focus on the maximum possible award with the caveat that the actual probability and perceived probability of winning awards with similar maximum amounts will differ based on the program requirements. Accordingly, programs with similar maximum rewards will then differ in how well they motivate behavioral change.

***Table 3.*** **Incentive rewards**

| | Average Maximum Bonus | Average Percentage of the Maximum Possible Bonus |
|---|---|---|
| Overall | $11,800 | |
| Achievement | $6,450 | 62% |
| Professional Development | $950 | 18% |
| Performance Review | $1,000 | 24% |
| Staffing | $7,700 | 57% |
| Coaching | $750 | 14% |
| Program Facilitation | $1,200 | 15% |

Table 3 shows the average maximum possible incentive proposed overall and by measurement domain as well as how rewards from each measurement domain fit into the overall reward structure. The maximum possible bonus is determined by summing all the maximum rewards for each reward category (e.g., growth in student academic achievement, professional development) across the categories presented in each grant. Here we see that, of the proposals that included professional development, the average maximum possible reward was $950, representing 18% of total (average maximum possible) incentive rewards. From these data it is clear that incentives for student achievement and staffing (when staffing incentives are included) dominate the reward structure. Of the 28 proposals that reported a maximum possible incentive, five were greater than $15,000 and four were less than $5,000. Forty percent of public school

principals earn $80,000 or less per year (Goldring, Gray, & Bitterman, 2014); for these individuals, $11,800 represents 15% or more of their base income. The overall maximum median bonus of $10,000 was slightly above the mean, reflecting the modest skew from four proposals with maximum rewards in excess of $20,000. Assuming the benchmarks are perceived as attainable and the participants are well informed about the program, these incentives appear sufficiently large to induce behavioral change.

The majority of programs failed to define payment frequency. Only one of the 21 programs that used professional development specified payment frequency (once per year). One other program used professional development as a gateway measure only, with no payment. One interesting example regarding the timing of rewards can be seen in a proposal that planned to give principals 25% of their bonuses once their schools have been identified as high achieving or rapidly improving, with the remaining 75% of the bonus to be delivered after principals have worked with a development team to identify and share best practices they implemented in their schools.

## Program Structure

Our framework defines competitive structure as being criterion referenced, asking participants to meet a predefined proficiency bar, or norm referenced, asking participants to be among the best of the competitors. Almost without exception, performance measures were criterion referenced, which can make budgeting challenging, yet fits well into the professional culture of the education sector, which is heavily invested in professional standards and collaborative in nature.

Linking performance measures to rewards involves articulating how a score on a measure translates into a reward. One way to think about this linking process is to consider which principals are eligible to receive a reward and under what conditions. How the proposals described these considerations has implications for how participants respond to the program and how the proposals are funded. For instance, a key consideration is whether the awards will be distributed to a set proportion of principals (e.g., the top 10%) or whether all principals who meet or exceed set standards will be eligible for rewards. We note that all 34 proposals were structured in the latter form, where all principals could receive bonuses. While principals may be more likely to participate when everyone can conceivably win, financing for such plans requires accurate forecasting of the proportion of principals who are expected to exceed the benchmark. If the incentive plans call for measures currently used in the district, historical trends can be used to approximate reasonable growth as a result of the inclusion of incentives, but the proposals seldom included such calculations.

Across the proposals, we saw evidence of three common strategies to link student achievement to principal rewards: gateway links, scaling, and all-or-nothing. As shown in Table 4, six of the proposals did not provide a linking strategy for the student achievement portion of their performance plan. “Gateway” linkages allow principals to be eligible for other incentive rewards if they meet some predefined performance criteria in another domain. A gateway link could require that the school meet a minimum progress benchmark before the principal is eligible

for the professional development and student growth awards. As illustrated by this example, gateway measures in a given domain are not necessarily mutually exclusive with scaling or all-or-nothing rewards. Table 4 shows the various linking systems in the TIF proposals identified by measure.

***Table 4*. Frequency of use for strategies linking measures to rewards**

| | Scaling | All-or-Nothing | Gateway | Omitted |
|---|---|---|---|---|
| Student Achievement Growth | 17 | 8 | 7 | 6 |
| Professional Development | 2 | 2 | 4 | 13 |
| Performance Review | 4 | 4 | 4 | 12 |
| Staffing | 1 | 6 | 3 | 1 |
| Coaching | 1 | 1 | 0 | 4 |
| Program Facilitation | 3 | 3 | 3 | 2 |
| Total | 28 | 24 | 21 | 38 |

The achievement rewards that used scaling all employed some sort of linear scale. This approach may be intuitive to understand, yet such connections do not accommodate situations where there are diminishing returns to higher performance, such as when a one-unit change is more difficult at one area of the measure (moving from 99% to 100% of students proficient, for example) as compared to another area (moving from 67% to 68% of students proficient).

Strategies for linking professional development and performance reviews to rewards were often omitted from the proposals. When present, connections were often vague, providing, for example, a reward amount for attending the required professional development sessions, but not specifying whether districts gave rewards for attending more or fewer sessions. When they were scaled, professional development rewards increased with the number of sessions attended, rather than hinging on a deliverable. Performance reviews tended to be scaled based on the number of goals met or by fulfilling the criteria in various aspects of the review process. Expectedly, staffing links were often all-or-nothing, with principals receiving bonuses for working in selected schools for predefined periods of time.

All applicants used an aggregation approach to link across measures within a given proposal (e.g., linking student academic growth to professional development and performance reviews). In this approach, applicants would determine the bonus for each measure and sum the total. For example, a principal might be deemed eligible for a bonus by receiving a mark of "superior" on his or her performance review (a gateway link); receive $200 for each percentage point of the 22% of students above proficient, earning $4,400 (a linear scaling link); and receive $2,000 for engaging in professional development (an all-or-nothing link). The overall aggregation of performance review, student achievement growth, and professional development measures would award this principal $6,400.

## Discussion

This review studied the ways practitioners have conceived of alternative compensation and incentive structures for school leaders as proposed for the TIF grant. Based on a synthesis of the theoretical and empirical research on incentive programs, our review consists of considerations regarding (a) measurement, (b) reward considerations, and (c) program structure. An application of the framework we develop here may help districts think more strategically about how to develop pay-for-performance plans or help them seek out collaborators in designing the incentive system. The remainder of this paper examines common alignment to and divergence from our incentive framework, suggesting solutions and implications.

Most proposals tended to omit or erratically speak to the psychometric, statistical, and logistic design elements of the proposed incentive system. District personnel, who are largely responsible for the design of incentive systems, are likely to be well versed in aspects of school leadership, local context, and professional development, but they may not have the knowledge to devise an effective incentive plan.

Leadership performance measures should be valid, reliable, linked directly to desired goals, and be based on more than one metric. All 34 proposals included multiple measures as part of their incentive plans. Nearly all the proposals failed to address the validity or reliability of these measures. With respect to student achievement growth, many of the proposals' authors appeared unaware of the literature regarding the complexities and trade-offs involved when modeling the value teachers and schools add to student academic performance. In examining how selected measures factor into an incentive plan, we identified widespread failings of proposals to explain how multiple measures would be weighted relative to other measures and how they should be aggregated over time. These oversights exemplify the psychometric, statistical, and logistic hurdles that districts commonly encounter when selecting incentive measures.

Districts that neglect instrument validity risk developing a biased incentive system that systematically favors some principals over others as well as unintentionally rewarding one behavior while intending to reward a different behavior. When measurement reliability is unknown, the measures may be unbiased, but measurement may be erratic, making decisions based on these measures challenging. If principals feel that measures are unfair or haphazard, they may reject the incentive system out of hand. Instituting a program with measures of unknown reliability and validity could also undermine trust between school and district leadership, creating organizational discord that is difficult to rectify.

When we examined the domains that the proposals sought to measure (e.g., professional development, performance review) and how these domains were measured (e.g., attendance, observations), we found that performance goals set by the proposals were not substantially different from the expected status quo for principal performance. This finding raises the question, "To what extent did these proposals simply create additional rewards for what principals are already doing?" With the vast majority of principals reporting ratings at or above the satisfactory

level (Reeves, 2009), the majority of principals likely will receive incentive bonuses for the performance review portion, without any modification of their professional practice.

In most districts, principals are expected to maintain and expand their leadership skills through continuing professional development. Identifying a promising professional development program that meets the district's needs is insufficient rationale for instituting an incentive system around professional development. Performance incentives should be applied when (a) improved performance in a given area can have a positive impact on a district's goals, (b) there is reason to believe that principals are not putting forth optimal effort, and (c) existing incentives are insufficient to motivate behavioral change. With the exception of three proposals that outlined detailed professional development programs, none of these proposals were able to identify why and how incentives for professional development—which was likely taking place without incentives—would address the goals of the district.

Creating an incentive system for leadership coaching raises similar questions regarding the clarity of the integration between the incentive system and district goals. It is not readily evident that principals should be rewarded for *both* reaching a goal and for undergoing coaching to reach that goal. If principals require a financial incentive to meet with a coach, this suggests that the outcome incentives (e.g., performance reviews, student achievement) may be inadequate. An alternative interpretation is that these applicants may have constructed a dual incentive system in response to severe challenges they face regarding the motivation of their school leaders.

When creating an incentive program, schools and districts would benefit from clearly articulating the minimum expectations and then structuring incentives to support leadership outcomes beyond this baseline level. Incentive programs should identify key factors along the path to desired outcomes where districts feel performance is lacking. Additionally, incentive supports should be an explicit part of the incentive system: Outcome incentives may help principals identify *what* needs to change (e.g., student achievement), but it is the incentive supports that can show principals *how* to change (e.g., improving classroom observations).

Given that the TIF program based 20% of each proposal's evaluation on its confirmation that the district had adequate resources to ensure payouts, it would appear difficult to construct realistic cost projections without devoting some thought to how evaluations translate to dollars and considering the relative probability of the various pay-for-performance outcomes. Arriving at accurate predictions of incentive payouts, especially with the criterion-referenced reward structures favored by TIF applicants, requires the application of statistical skill that may not be present among all districts. When districts fail to set these benchmarks at the optimal level they risk demoralizing leaders' effort if too many or too few leaders qualify for awards. Failure to specify linkages also obscures the reward system and can create uncertainty regarding expectations. Explicitly stating the performance-to-reward linkages creates an incentive system that is fiscally sound as well as transparent to participants.

Although the majority of proposals lacked novel ideas or innovative approaches, applicants from South Carolina proposed a simple, yet compelling method to scale their bonuses: "South Carolina will differentiate the amounts allocated per principal and assistant principal relative to free or reduced-price lunch percentages in the specific school, so disadvantaged/poor children will have equal access to effective leadership at the principal level" (quoted from the South Carolina TIF proposal). This strategy has the benefits of being simple and facilitating transparency. South Carolina's scaling plan also functions as a proxy for signing bonuses by attracting individuals to high-need schools, and thus is a parsimonious design feature.

Implementing underdeveloped programs will undermine support for the intervention and degrade potential outcomes. In addition to soliciting support from experts outside the district (e.g., consulting, research collaborations), several other strategies may help districts create more robust and comprehensive pay-for-performance plans. In part, this paper serves such a support function by outlining the key components of performance pay systems, and by identifying the benefits and trade-offs for the most prevalent design elements. Pay-for-performance plans should include timelines that identify which measures will be collected, when feedback will be provided, and when payments will be distributed. In addition to facilitating planning and implementation, the distribution of such timelines to the school leadership teams can improve communication and transparency among stakeholders. Last, districts may want to use simulations to model potential outcomes and then work backward, engineering incentive components to match desired outcomes.

## Conclusion

A systematic review of the 34 proposals approved through the TIF program reveals that almost all are substantially underdeveloped, demonstrating fundamental misunderstandings of the design of incentive programs that could bear fruit to improve school leadership. This finding suggests that developing a high-quality performance incentive system for school leaders is neither simple nor self-evident. Many districts, it appears, may not have the capacity to construct such systems or, if they have the capacity within the organization, have failed to access the expertise needed to develop their plans. Poorly formulated incentive programs will, at best, be inefficient; at worst these programs can motivate behaviors that are counterproductive to the desired outcomes. In addition, research on these types of plans is likely to find no effect on school leadership simply because the programs are insufficiently specified and underdeveloped. The framework set forth in this paper should give districts a starting point for collaboration and discussion when considering how to develop their own performance incentive systems.

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## *Appendix 1.* Features of Teacher Incentive Fund proposals

| Program | State | City (or District) | # of Schools | School Type | Incentive Maximum | Student Achievement | Professional Development | Receiving Coaching | Program Facilitation | Performance Review | Staffing | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alaska | AK | Three districts statewide | 27 | rural, high-need | 28% | X | X | | X | | | X |
| Chicago (REAL) | IL | Chicago Public Schools | 40 | urban | $5,000 | X | | | X | | | |
| Cumberland County | NC | Douglas Byrd district | 5 | urban | $5,000 | X | X | | X | X | | X |
| Dallas | TX | Dallas Independent School District | 220 | urban | $10,000 | X | X | | | X | X | |
| Denver | CO | Denver Public Schools | 150 | urban | $43,250 | X | X | | | X | X | X |
| Eagle County CO | CO | Eagle County Public Schools | 13 | rural, high-need | | | X | | | X | | |
| Financial Incentive Rewards for Supervisors and Teachers | MD | Prince George's County Public Schools | 15 | urban | $12,500 | X | X | | | X | | |
| Houston: Project SMART | TX | Houston Independent School District | 109 | urban | $3,000 | X | | | | X | | |
| Leadership for Educators' Advanced Performance (LEAP) | NC | Charlotte-Mecklenburg | 16 | urban, suburban | $10,000 | X | X | | | X | X | |
| Memphis Effective Practice Incentive Fund | TN | Memphis City Schools | 17 | urban | $15,000 | X | | | | | X | X |
| Mission Possible: Guilford County NC | NC | Guilford County Schools | 7 | high-need | $15,000 | X | X | | | | X | |
| MIT Academy | CA | MIT Academy (Middle and High Charter Schools in Vallejo) | 2 | charter | $37,050 | X | | X | | X | X | |
| New Leaders New Schools National Charter Project Effective Practice Incentive Fund | - | nationwide | 47 | charter | $20,000 | X | | X | | | X | X |
| New Mexico | NM | Espanola, Springer, Des Moines, Cimarron school districts | omitted | rural, high-need | | X | X | | | X | | |
| Ohio Teacher Incentive Fund | OH | Cincinnati, Cleveland, Columbus, Toledo | omitted | urban | $2,000 | X | X | | | X | | |
| Partnership for Innovation in Compensation for Charter Schools | NY | New York City | 10 | charter | $8,000 | X | | | X | | | |
| Performance Outcomes With Effective Rewards | FL | Hillsborough County | 116 | urban/ suburban | 5% | X | | | | X | X | |
| Philadelphia | PA | School District of Philadelphia | 20 | urban | | X | X | | | X | | |
| Pittsburgh's Principal Incentive Program | PA | Pittsburgh | 65 | urban | $12,000 | X | X | | | X | | |
| Project Excel | AZ | Tucson (Amphitheater Unified) | 11 | nine high-need urban, two rural | $10,000 | X | X | X | | | | X |
| Quest for Success | CA | Lynwood County | 18 | urban | $9,700 | X | X | | | X | | |
| Recognizing Engagement in the Advancement of Learning | CO | Harrison School District 2 | 25 | urban | $2,000 | X | | X | | | | |
| Recognizing Excellence in Achievement and Professionalism | FL | Orange County Public Schools | 10 | urban | $5,000 | X | X | | | X | | |
| Rewards and Incentives for School Educators | FL | Miami-Dade | 36 | urban | $1,000 | X | X | X | | | | |
| Schools Under Performance Pay Offer Remarkable Teaching | FL | Lake County | 10 | unknown | $10,000 | X | X | X | | X | | |
| System to Motivate and Reward Teachers | OK | Beggs | 3 | rural | $11,000 | X | | X | X | | X | |
| South Carolina | SC | Statewide (six districts) | 23 | rural, high-need | $23,000 | X | | | X | X | | |
| South Carolina Teacher Incentive Fund | SC | Florence & Laurens | 6 | rural | $6,000 | X | | | | X | | |
| South Dakota Incentive Fund | SD | Statewide (11 districts) | 30 | Title I | $6,000 | X | X | | | X | | |
| Teacher and Principals Awarded for Student Achievement | TX | San Antonio | 6 | urban | | X | X | | X | X | | |
| Teacher Excellence Incentive Project | MA | Boston | 1 | urban | $10,000 | X | | | | | X | |
| University of Texas System | TX | Statewide (seven districts) | 27 | disadvantaged | $8,000 | X | | | | | X | |
| Washington, D.C., Effective Practice Incentive Fund | DC | District of Columbia Public Schools | 25 | urban | $22,250 | X | | | | | X | X |
| Weld County | CO | Weld County School District RE-8 (Fort Lupton) | 4 | rural, high-need | 3% | X | | | X | X | | |