

Introduction

In 2010, the Teach Plus-Indianapolis Teaching Policy Fellows, a cohort of early career educators teaching in low-income district and charter schools throughout the city, did an analysis of the lifetime earnings of teachers in Indianapolis Public Schools (IPS). Their findings, outlined in a paper called *The Cost of Loyalty*, indicated that at the time, experienced teachers with advanced degrees would be better compensated if they taught in any Marion County township rather than in Indianapolis Public Schools. “In every Marion County district, as teachers reach the top of the pay scale with a master’s degree, they earn from 10 to 25 percent more than teachers at the top of the pay scale in IPS.”¹ Nearly four years later, gaps between IPS and township salaries continue to exist.

In 2011, Public Law 90 took effect in Indiana, requiring that schools compensate teachers based on performance rather than exclusively on years of experience and degrees earned. Since the law was enacted, Indianapolis Public Schools has operated on a frozen contract, meaning teachers have not received any increase in pay since the start of the 2011 school year. Recognizing that teachers are the most important lever for closing achievement gaps, we know that a frozen salary system will not attract, retain, or develop talent within Indianapolis Public Schools.

Attracting and retaining great teachers is made more difficult by the freezing of teacher salaries in Indianapolis for the past few years and by the fact that teacher salaries *state wide* have become even less competitive when compared to the national average from 2001 to 2012. According to a report released by the National Education Association (NEA) in 2012, while the average teacher salary in the United States dropped 2.8 percent, adjusting for inflation, teachers in Indiana public schools have seen their average salaries fall 10.1 percent during the same time period. Not only are teachers in Indiana schools faring less well than their national peers, but the average teacher salary in Indiana does not even have the same purchasing power that it did a decade ago in 2001.²

We believe that the goal of a performance-based salary structure is to reward educators who are successfully educating students. In the January 2013 Teach Plus publication, *The Future of Compensation*, 83.2% of surveyed teachers agreed that highly effective educators should be paid more for their performance. In October 2013, the President of the NEA, the largest national teachers’ union, came out in support of altering the traditional step-and-lane salary system.

In order to achieve this, however, many decisions have to be made. How are teachers evaluated to determine their compensation? What are the additional roles and responsibilities teachers can take on in order to earn higher pay? How does a district find enough cost savings to support an entirely new salary model?

These are questions that the 2013 Teach Plus-Indianapolis Teaching Policy Fellows have grappled with while trying to determine the best way to attract, retain, and leverage great teachers through compensation. The current circumstances present a tremendous opportunity to rethink teacher compensation as a talent retention strategy in IPS. This brief aims to offer both immediate and long-term recommendations for addressing a system that must change.

In this paper, we will address the following:

- The challenges: What do we need to overcome in order to create a new compensation system?
- The possibilities: What did we hear from teachers about the changes they would make to revamp the compensation system?
- The game-changers: What are the large-scale policy changes that could be made to pay great teachers more and simultaneously elevate the teaching profession?

The Challenges

Teacher Evaluation

The release of the 2012-13 teacher evaluation data across the state of Indiana indicated that just five teachers of 2,672 in IPS were rated as ineffective. If teachers rated as “needs improvement”—the other group ineligible for an increase in compensation according to Public Law 90—are included, only 6% of all teachers in IPS are ineligible for a raise. If the district were currently using this data to make compensation decisions, more than 94% of teachers would be eligible for a raise, and the 80% who fell in the “effective” band would be eligible for comparable raises. Differentiating compensation based on evaluation scores, when those scores are not differentiated themselves, creates a formidable challenge when designing a competitive compensation system that will attract and retain talent because it distributes a limited amount of resources over a large group of people, resulting in lower increases for individual teachers.



*This data excludes 142 teachers for whom no rankings were submitted. The absence of these rankings could be due to mid-year retirements, leaves of absence, maternity leaves or other factors that resulted in teachers being out of the classroom and not evaluated.

An Early Career Teacher Experience “

New to Indiana and new to teaching in 2010, I was excited to begin working in the traditional public school district. As a first “real” job, I paid little mind to how much I was being paid. During this time, legislation was passed in Indiana to implement pay-for-performance throughout the state. Immensely involved in my teaching practice, I was oblivious to how those decisions would affect me later. I do not disagree with the concept of paying teachers according to a merit-based system, but the result of a multi-year pay freeze has been very difficult—especially for early career teachers at the bottom of the salary schedule.

My salary has not changed since my second year of teaching. Three years later, my skills and expertise have outgrown my salary. I am not yet the best teacher I can be, but I am certainly better than when I first began. Our compensation system needs to recognize talented educators, and it needs to be aligned with the district’s priority of attracting and retaining the best teachers.

As it stands, the result is not ideal. Teachers have left the district to teach where raises are a possibility each year within the already adopted merit-based systems. Potential annual salary increases will give new teachers a reason to begin their careers in other districts, where they know that their compensation will reflect the time and energy that they dedicate to becoming an effective teacher. –Rachel Quinn, Harshman Magnet Middle School

Salary Distribution

Due to the traditional step-and-lane salary schedule currently used in the district, resources in the form of teacher salaries have become inequitably distributed across schools in IPS. Schools with a more veteran teaching faculty use dramatically more resources than schools with a newer teaching force. While this is to be expected to some extent, we must address the fact that it means resources are inequitably distributed to students depending upon the seniority of the teaching staff. The 10 IPS schools with the highest average teacher salaries have an average salary of \$55,998 and an average number of total years of teaching experience of 18.9 years. By comparison, the 10 schools with the lowest average teacher salaries have an average salary of \$44,963 and an average total years of experience of just 8.4 years. This difference of \$11,000 and 10 years of experience on average illustrates the disparity in the distribution of teachers. While this disparity currently focuses exclusively on teachers’ experience level, any new model of differentiating teachers would need to address equity in resource allocation to schools.

\$ 10 highest-paid schools
Avg Salary: **\$55,998**
Avg Years: **18.9**

\$ 10 lowest-paid schools
Avg Salary: **\$44,963**
Avg Years: **8.4**

Teachers as Drivers of Compensation Change

The Teach Plus-Indianapolis Teaching Policy Fellows were interested in hearing directly from IPS teachers about what immediate changes they would support in an upcoming contract. In March 2014, Teach Plus partnered with Education Resource Strategies³ to run a compensation simulation during which teachers worked as teams to allocate resources in a fictional district. All IPS teachers were invited to attend; 150 teachers participated. The average years of experience of attendees was 14.6 and the median number of years of experience was 12. The group included teachers in their first year and teachers with more than 30 years of experience.

Teachers were asked to consider issues such as raising the starting salary for incoming teachers, providing tuition reimbursement for additional certification, and offering stipends for additional leadership positions. The goal was to keep the district on budget, while also providing incentives to draw and retain top talent. Teachers worked in 28 small groups comprised of both early career and veteran teachers. They made strategy decisions in seven areas (see table). Each budgeting strategy included several options with varying financial implications. The most popular strategies for each area are reflected in the table below:

The Future of Compensation: An Interactive Simulation

Area	Definition of Area ⁴	Most Popular Strategy	% of Groups That Chose Most Popular Strategy
Education Pay	Education pay is defined as the additional pay a teacher receives for additional educational degrees (MA, PhD, etc) over another teacher with the same years of experience and a Bachelor’s degree.	Offer tuition reimbursement rather than education pay.	61%
District Priority Incentives	A District Priority Incentive refers to extra compensation aimed at attracting teachers to more challenging positions that align with current district priorities.	Give a \$4000 annual incentive to all teachers in high-needs schools.	61%
Experience Pay	Experience pay is defined as the difference in pay for a teacher’s Bachelor-lane salary and zero years of experience compared to teacher’s Bachelor-lane salary with their actual years of experience.	Reduce experience pay by half.	57%
Starting Salary	Pay received for a given work period for a particular set of responsibilities. It does not include additional pay for overtime, extra responsibilities, or bonuses for performance.	Increase starting salary by \$2000.	46%
Effectiveness Pay	Effectiveness pay is defined as changes to teachers’ base salary contingent on performance. This can be based on a formal evaluation system or a combination of other district-defined metrics.	Implement effectiveness bands with small steps. ⁵	39%
School Roles	School roles may take a variety of forms, but all capitalize on what Public Impact calls a “reach effect”: the increased percentage of students that excellent teachers reach in the course of their work.	Give \$2000 annual stipends to teachers who take on additional school roles.	39%
Bonuses, Rewards and Recognition	A bonus is a one-time additional payment that is not incorporated into a teacher’s base salary. Its use is intended to motivate an individual, group, and/or school to achieve a pre-defined goal that is either instructional or non-instructional.	Eligible teachers receive a flat \$3K bonus in addition to public recognition and/or celebrations.	32%

The simulation gave attendees the experience of making decisions that represented real tradeoffs faced by a district as it redesigns teacher compensation. Within groups, teachers with varying levels of experience had to negotiate district-wide decisions while staying on budget. As reflected in the chart of the most popular decisions, there was a great diversity among the 28 groups. While implementing a potential \$3000 flat bonus was the most popular decision in the Bonuses, Rewards and Recognitions category, for example, only 32% of groups chose this option.

The Opportunities

The Early Wins: Near-term Changes with High Impact

The following four most popular options rose to the forefront but all would require tradeoffs. Also included are suggestions from Teach Plus Teaching Policy Fellows on implementing the changes in a way that elevates and honors great teachers.

- 1) Offer Tuition Reimbursement.** 61% of groups chose to offer tuition reimbursement as opposed to pay for additional degrees.
Rationale: With many new graduates facing substantial student loan debt, many teachers see the value in having tuition directly reimbursed rather than a small increase in annual salary.
Keys to Implementation: There are widely varying degrees of quality among continuing education programs. If the district chose to implement this system, it should identify a list of approved providers and programs to ensure quality. Additionally, the district may want to identify areas with the highest needs (special education, STEM, ELL) and limit tuition reimbursement to areas that are needed.
- 2) Provide Incentives to Teachers at High-Need Schools.** 61% of the groups chose to award high-needs schools with a \$4,000 annual incentive.
Rationale: As teachers in a district with many high-needs schools, this demonstrates that IPS teachers want teachers in the toughest of environments to be recognized and rewarded. An annual incentive is also a way to attract top talent to the schools that need it the most.
Keys to Implementation: By awarding this incentive to all teachers in high-needs schools, there is the possibility that low-quality teachers would be incentivized to stay due to the opportunity to receive a pay increase. If implemented, the district would want to consider the selection process for teachers in high-needs schools to ensure that the incentive is going to highly-effective educators who are interested in going where they are needed most.
- 3) Reduce Experience Pay.** 57% of groups chose to cut experience pay in half.
Rationale: Rather than paying teachers simply based on their time in the classroom, IPS could create career pathways that include additional responsibilities for additional pay for their best teachers. Research indicates that “experience is not significantly related to achievement following the initial years in the profession.”⁶ By limiting pay for experience, dollars could be shifted to high performers and additional teacher roles and responsibilities.
Keys to Implementation: Research by TNTF indicates that “experience helps, but it doesn’t tell the full story—and it doesn’t guarantee excellence.”⁷ When reducing experience pay, there are three important parameters to put in place: 1) the cost savings of limiting experience pay will be reinvested in teachers rather than other district expenses; 2) experience pay should not be eliminated entirely; and 3) teachers

currently in IPS may be given the option to be grandfathered into the current structure that includes full experience pay.⁸ Currently the district’s step-and-lane salary scale awards approximately \$1500 for each year up to 20 years of experience. By cutting experience pay in half to \$750 annually for 2530 teachers, the district will have more than \$2 million that could be reinvested into its best teachers every year.⁹

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4) Increase Starting Salaries. 46% of groups chose to increase the starting salary by \$2,000.

Rationale: An increase in the current starting salary of \$35,684 could attract more top talent to Indianapolis Public Schools. It would also put IPS’ starting salary closer to that of surrounding districts. For example, a first-year teacher in Wayne Township starts at \$40,306, and a first-year teacher in Pike Township starts at \$37,778. In order to be competitive with surrounding districts, IPS should raise its starting salary—perhaps by more than \$2,000.

Keys to Implementation: The district must consider what the tradeoffs are for offering a higher starting salary rather than giving teachers the opportunity to earn a larger bump in pay after a year or two in the district. One option is a one-time signing bonus that would not impact base salary but could attract talent, particularly if the district chooses to reward performance as talent is retained.

The Game Changers: Building an Infrastructure to Elevate Teaching

While all of the recommendations above offer true opportunities for improving the teacher compensation system, the district still faces the challenge of finding the resources necessary to redesign compensation. Limiting experience pay to half of the usual \$1500 annually is a strong start, but what if the district wants to think bigger? The following recommendations are large-scale policy shifts that represent opportunities to drive more dollars to the best teachers and to elevate their role in the district.

1) Equitable Funding Through Student-Based Budgeting

As previously indicated, there is a large discrepancy in resource allocation to schools based on the experience level of their teaching faculty. Unfortunately, the schools receiving more resources are not necessarily producing greater results for students. The district should move to a student-based budgeting model where dollars follow students and all expenditures are allocated based on serving the specific students in a school. This will reverse the top-down funding structure currently in place and will build school budgets based on the students they are serving—not the adults they are employing. By doing this, school leaders and teachers can make interesting and creative decisions about aligning talent to needs. In combination with a performance-based system, student-based budgeting will ensure a greater equity of talent across the district. This will also free up resources to compensate teachers who are serving in a high-needs setting, whether that is a particular school, subject area, or grade level, because high-needs students will receive additional per-pupil dollars.

2) Rethinking the Role of the Teacher

Teach Plus Teaching Policy Fellows believe that teachers often have the knowledge and experience to implement innovative ideas and solutions in their own classrooms. Whether it is through a program like Project Restore¹⁰ or the forthcoming Innovation Schools,¹¹ teacher talent can be leveraged to create lasting solutions that address the challenges of the district. Rethinking the role of the teacher could include:

- *Creating a summer ideas summit for teacher innovation.* Teachers could work collaboratively to design new instructional models, programs, and systems while getting necessary information from the central office—something that is often challenging for teachers who are in their classrooms all day.
- *Establishing career ladder opportunities.* Programs like Project Restore or T3¹² offer opportunities for great educators to reach more students through elevated roles while still remaining in the classroom. While these opportunities exist in pockets, the district should establish paths to additional roles and responsibilities that include compensation. This could be launched by starting a career ladder task force whose responsibility it is to develop a plan of action.

3) Revamp Evaluation

The recently released teacher evaluation scores indicate that the IPS teacher evaluation system is not producing differentiated results that reflect the academic results of the schools in the district. In order to drive more dollars to the best teachers, the evaluation system must be trusted by teachers and produce reliable, differentiated results. Resources must be put into improving the evaluation system, and we believe there are ways teachers could take on additional roles in the implementation of an effective evaluation system. These changes could include:

- *Diversifying the evaluators in the district.* Rather than relying exclusively on principals and assistant principals, the district could implement a peer-observation component by building in release time for excellent teachers to observe and coach their peers.
- *Developing a norming process for teachers.* While most teachers are familiar with the IPS RISE rubric, many have not received the same training as evaluators. Norming teachers and training them as evaluators would not only improve their knowledge and practice, but better position them to work collaboratively at the school level on instructional improvement.

4) Professional Development 2.0

The district currently spends millions of dollars annually on external professional development for teachers throughout the district. These are dollars that could be invested internally rather than externally to ensure better professional development as well as compensate excellent teachers who take on new roles. Rather than driving professional development from the central office, the district should leverage teachers by creating summer job opportunities, fellowships, and in-school leadership roles that will provide development to teachers across the district. These opportunities could include:

- Creating a teacher-led PD hub where principals and teachers can choose from a menu of offerings provided by peers in the district.
- Incorporating release time for excellent teachers to provide PD in other schools or for their own peers.
- Compensating teachers in schools to run their own professional learning communities (PLCs).
- Implementing a summer PD design retreat for a select group of excellent teachers.

Teach Plus-Indianapolis Teaching Policy Fellows believe that there are opportunities for dramatic policy changes that will elevate the teaching profession in a new way. They believe that more resources can be driven to teachers to implement the changes outlined in this brief, and that excellent teachers can take on additional roles and responsibilities to earn more compensation, develop as leaders, and be the change-agents in Indianapolis Public Schools.

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Endnotes

¹ Teach Plus. (2010). The Cost of Loyalty: Teachers' Stay-or-Leave Decision in the Indianapolis Public Schools. Retrieved May 30, 2014, from http://www.teachplus.org/uploads/Documents/1292958940_TheCostOfLoyalty.pdf.

² National Education Association. (2012). Rankings & Estimates: Rankings of the States 2012 and Estimates of School Statistics 2013. Washington, D.C.: NEA Research

³ Education Resource Strategies (ERS) is a non-profit organization dedicated to transforming how urban school systems organize resources—people, time, technology, and money—so that every school succeeds for every student. Additional information and resources can be found here: <http://www.erstrategies.org/library/category/18-teaching>

⁴ Education Resource Strategies (ERS). (2012). Strategic Design of Teacher Compensation. Retrieved May 30, 2014, from http://www.erstrategies.org/library/strategic_design_of_teacher_compensation.

⁵ Effectiveness bands are not associated with increased salary but instead allow for advanced roles or longer contracts; only effective teachers receive annual step increases. High performing teachers receive slightly larger steps. Ineffective teachers receive no steps.

⁶ Rivkin, Hanushek, and Kain (2005). "Teachers, Schools, and Academic Achievement." *Econometrica*.

⁷ TNTP. (2012). Teacher Experience: What Does the Research Say?. Retrieved May 30, 2014, from http://tntp.org/assets/documents/TNTP_FactSheet_TeacherExperience_2012.pdf.

⁸ The current compensation system does not meet the requirements of Public Law 90, but teachers could be grandfathered into a slightly modified system that is updated to the standards of PL90 but also honors full experience pay.

⁹ The savings of \$750 per teacher and a total of 2530 teachers is \$1,897,500. However Public Law 90 prohibits teachers who are rated "Needs Improvement" or "Ineffective" from receiving any additional compensation. For the 2012-13 school year, 297 teachers fell into these categories or were not rated--also making them ineligible for a raise under PL90. By withholding raises from those 297 teachers as required by law, the district will save an additional \$222,750, resulting in a total savings of \$2,120,250 which can be reinvested into the district's best teachers.

¹⁰ Project Restore is a teacher-led turnaround initiative that began at Arlington Woods Elementary School and has since expanded to additional school sites.

¹¹ Innovation Schools are the results of HEA1321, a new law that allows the district to partner with independent providers to run schools. The law includes a requirement that IPS teachers have the opportunity to develop proposals for new Innovation Schools.

¹² Teacher Turnaround Teams (T3) are an initiative developed by a former cohort of Teach Plus Teaching Policy Fellows in Boston. T3 places teacher leaders in schools, where they are empowered as instructional leaders while retaining their role as classroom teachers.