

# Hopes, Fears, & Reality



A BALANCED LOOK AT AMERICAN  
CHARTER SCHOOLS IN **2007**

Robin J. Lake, *Editor*

*National Charter School Research Project  
Center on Reinventing Public Education  
Daniel J. Evans School of Public Affairs  
University of Washington*

DECEMBER 2007





# About NCSRP

The National Charter School Research Project (NCSRP) brings rigor, evidence, and balance to the national charter school debate.

NCSRP seeks to facilitate the fair assessment of the value-added effects of U.S. charter schools and to provide the charter school and broader public education communities with research and information for ongoing improvement.

NCSRP:

- Identifies high-priority research questions.
- Conducts and commissions original research to fill gaps in current knowledge or to illuminate existing debates.
- Helps policymakers and the general public interpret charter school research.

The Project is an initiative of the Center on Reinventing Public Education.

We thank our current and past funders for their generous support:

- Achelis & Bodman Foundations
- Annie E. Casey Foundation
- Daniels Fund
- Doris & Donald Fisher Fund
- Thomas B. Fordham Foundation
- Bill & Melinda Gates Foundation
- The Heinz Endowments
- Jaquelin Hume Foundation
- Ewing Marion Kauffman Foundation
- Rodell Charitable Foundation
- U.S. Department of Education
- Walton Family Foundation

Our advisory board guides the selection and methodology of NCSRP research:

- Julian Betts, *University of California, San Diego*
- Susan Bodilly, *RAND Education*
- Anthony Bryk, *Stanford University*
- Lisa Coldwell O'Brien, *Coldwell Communications; New York Charter School Association*
- Abigail Cook, *Public Policy Institute of California*
- Jeffrey Henig, *Columbia University*
- Gisele Huff, *Jaquelin Hume Foundation*
- Christopher Nelson, *Doris & Donald Fisher Fund*
- Michael Nettles, *ETS*
- Greg Richmond, *National Association of Charter School Authorizers*
- Andrew Rotherham, *Education Sector; Progressive Policy Institute*
- Priscilla Wohlstetter, *University of Southern California*

## CHAPTER 4

# Look Familiar? Charters and Teachers

*Michael DeArmond, Betheny Gross, and Dan Goldhaber*

One hope that many advocates had for charter schools is that they would pioneer new ways of employing and paying teachers, in the expectation that this might lead the way toward a higher-quality teaching force. By hiring nontraditional teachers and leaders, charter schools could, in theory, create “a new education profession where individuals are paid (and retained) on the basis of their performance and are encouraged to innovate.”<sup>1</sup> Descriptive studies suggest that charter schools, on average, do employ teachers with different characteristics than traditional public schools. Charter school teachers are somewhat younger, less experienced, and less likely to be certified.<sup>2</sup> According to some data, they are also more likely to have graduated from a selective college.<sup>3</sup> But when it comes to teacher compensation, it is not clear that charter schools are innovating in the ways that advocates had hoped.

### A DIFFERENT APPROACH TO PAYING TEACHERS

In traditional public schools, teacher pay is driven by formulas. These formulas—known as salary schedules—typically do not distinguish between low and high performers. They do not take into account hard-to-fill subject areas or difficult teaching assignments. For decades, people have argued that this inflexibility makes teaching a costly career choice for people with the best skills or technical expertise.<sup>4</sup> As a result, it is argued that the “brightest” college graduates tend to avoid teaching, and if they teach, they are more likely to leave.<sup>5</sup> Similar factors are thought to be at work, with particular intensity, around math and science teachers.<sup>6</sup>

Charter schools, by design, were an invitation to try a different approach. Compared to traditional public schools, charter schools enjoy wide-ranging flexibility around staffing

*When it comes to teacher compensation, it is not clear that charter schools are innovating in the ways that advocates had hoped.*

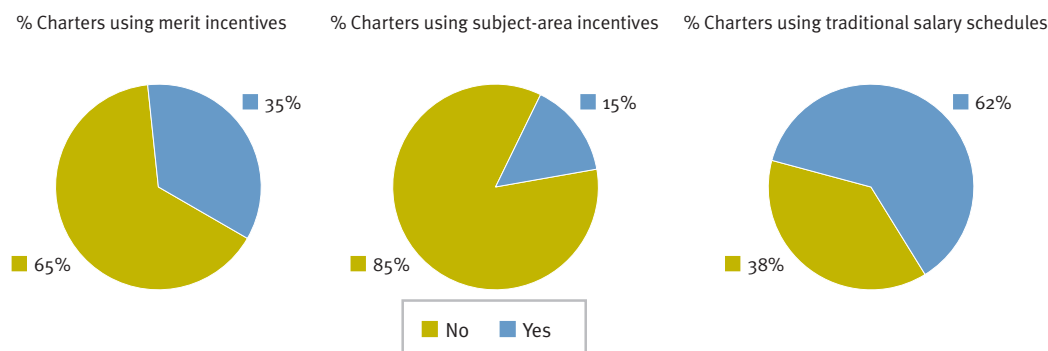
and budgets. It was hoped that this freedom from many rules, along with the pressure created by choice and accountability, would set the stage for charter schools to experiment. In addition to tapping a broader labor pool, charter schools would be free to try compensation policies that, among other things, recognized and rewarded performance and skill. By paying teachers differently, the hope was that charter schools would marshal their resources more effectively and efficiently to meet their schools' goals and get results.

In some ways, it looks like charter schools are delivering on their promise to innovate. Economist Michael Podgursky's 2006 analysis of data from the U.S. Department of Education's 1999–2000 Schools and Staffing Survey (SASS), for example, suggests that charter schools are more likely to pay extra for particular skills or qualifications than are traditional public schools. Fully 38 percent of charters say they offer teachers incentives or bonuses for “excellence in teaching,” compared with just 6 percent of traditional public schools. Charter schools are also more likely to offer extra incentives for teachers with hard-to-find skills, for example, working in hard-to-hire subjects and, somewhat surprisingly, for certification from the National Board of Professional Teaching Standards.<sup>7</sup>

### HOW DIFFERENT ARE THEY?

*By paying teachers differently, the hope was that charter schools would marshal their resources more effectively and efficiently to meet their schools' goals and get results.*

While there is little doubt that more charter schools are experimenting with pay relative to traditional public schools, the National Charter School Research Project's (NCSR) analysis of the 1999–2000 SASS data reveals that charter schools themselves could clearly do more. For example, the majority of charter schools (two-thirds) still report paying their teachers according to a salary schedule based on experience and education. Only a minority of charter schools use incentives for performance or expertise in shortage fields: about one-third use merit incentives, and just 15 percent use subject-area incentives (see figure 1). It is reasonable to expect that charter schools, most of which are free from union and state hiring requirements, might have embraced pay-for-performance and differential pay in much greater numbers.

**FIGURE 1. COMPENSATION POLICIES IN CHARTER SCHOOLS**

Generalizations like these, however, can only tell us so much. It may be, for example, that the absence of teacher tenure in charter schools means that salary schedules do not operate in the same way that they do in traditional public schools. If charter schools are more likely to dismiss teachers early in their careers (which the SASS data seem to suggest<sup>8</sup>), and if these dismissals are due to poor performance, charter school salary schedules may, in effect, reward both experience *and* performance.

Figure 1 may also mask important variations within the charter sector. Although it is not possible, in this short essay, to disentangle the many external and internal forces that affect schools' decisions about how to pay teachers, a quick look across the charter sector suggests that state policy and institutional context constrain non-traditional approaches toward compensation.

### DIFFERENT CONTEXTS, DIFFERENT APPROACHES

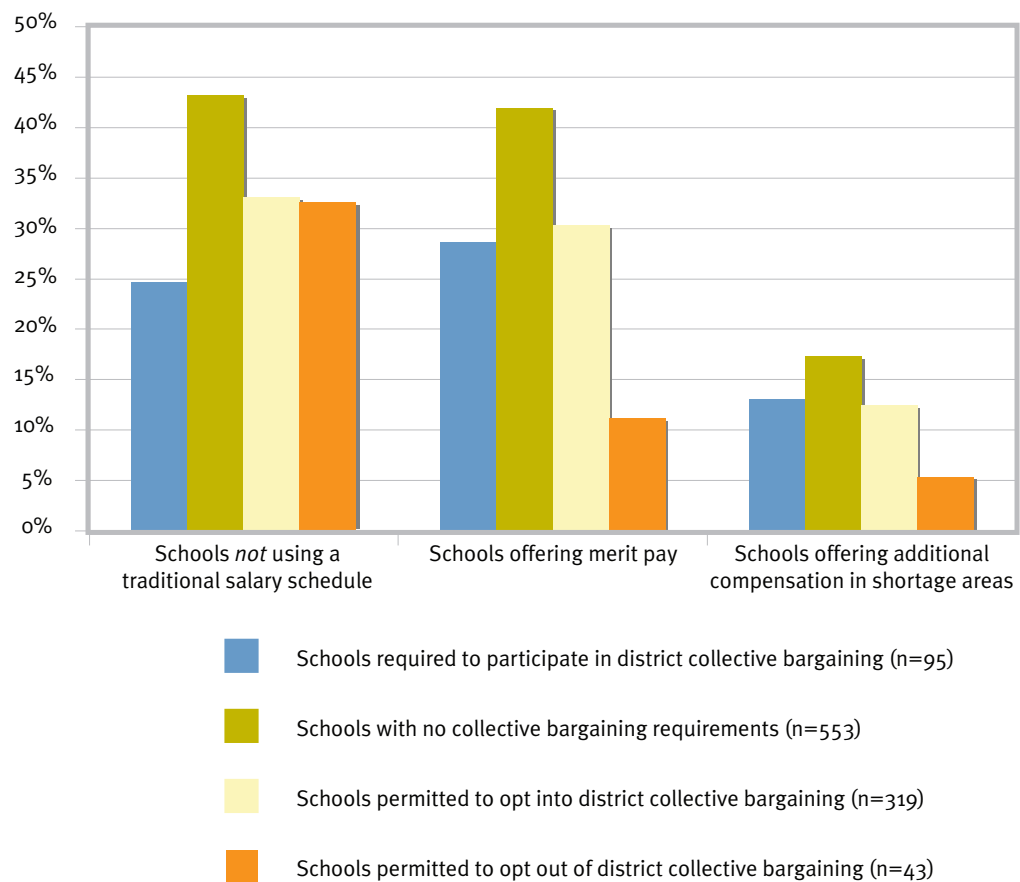
Although they are often lumped together, charter schools operate in different policy environments that might affect how they approach paying teachers. Consider one example: the different collective bargaining requirements that charter schools in different states face. Using data from the Education Commission of the States' State Policies for Charter Schools Database,<sup>9</sup> NCSR put states into four categories. At one end of the spectrum are states that require charter schools to join local school district bargaining units; according to 1999-2000 SASS data, 10 percent of all charter schools operate in these states. In the middle are two groups, states in which charter schools are assumed to participate in district collective bargaining agreements unless they opt out and states that allow charter schools to opt into district collective bargaining agreements. Four percent of charter schools are in the "opt out" states and 32 percent are

*Charter school salary schedules may, in effect, reward both experience and performance.*

in the “opt in” states. At the far end of this continuum are states that have no collective bargaining requirements for their charter schools. Fifty-four percent of all charter schools operate in these states. These differences in policy appear to be critical when it comes to teacher compensation.

Figure 2 shows the percentage of charter schools in each category that report using incentives for “excellence in teaching,” incentives for subject-area expertise, and salary schedules. As the chart shows, charter schools without collective bargaining requirements are much more likely to steer clear of the salary schedule and use incentives. Although collective bargaining agreements do not preclude alternative compensation approaches, they may make them less probable, as schools must obtain waivers from the teachers union.

**FIGURE 2. COMPENSATION POLICIES IN CHARTER SCHOOLS BY COLLECTIVE BARGAINING REQUIREMENTS**



Charter schools' organizational characteristics are also associated with different pay plans. Figure 3 is similar to figure 2 in that it shows the percentage of schools that report using incentives and salary schedules. This time, however, the results are separated into conversion schools (traditional public schools that became charter schools) and start-ups. Unsurprisingly, conversion schools appear more wedded to salary schedules, and are far less likely to offer wage differentials than start-ups.

**FIGURE 3. COMPENSATION POLICIES IN CHARTER SCHOOLS BY SCHOOL ORIGIN**

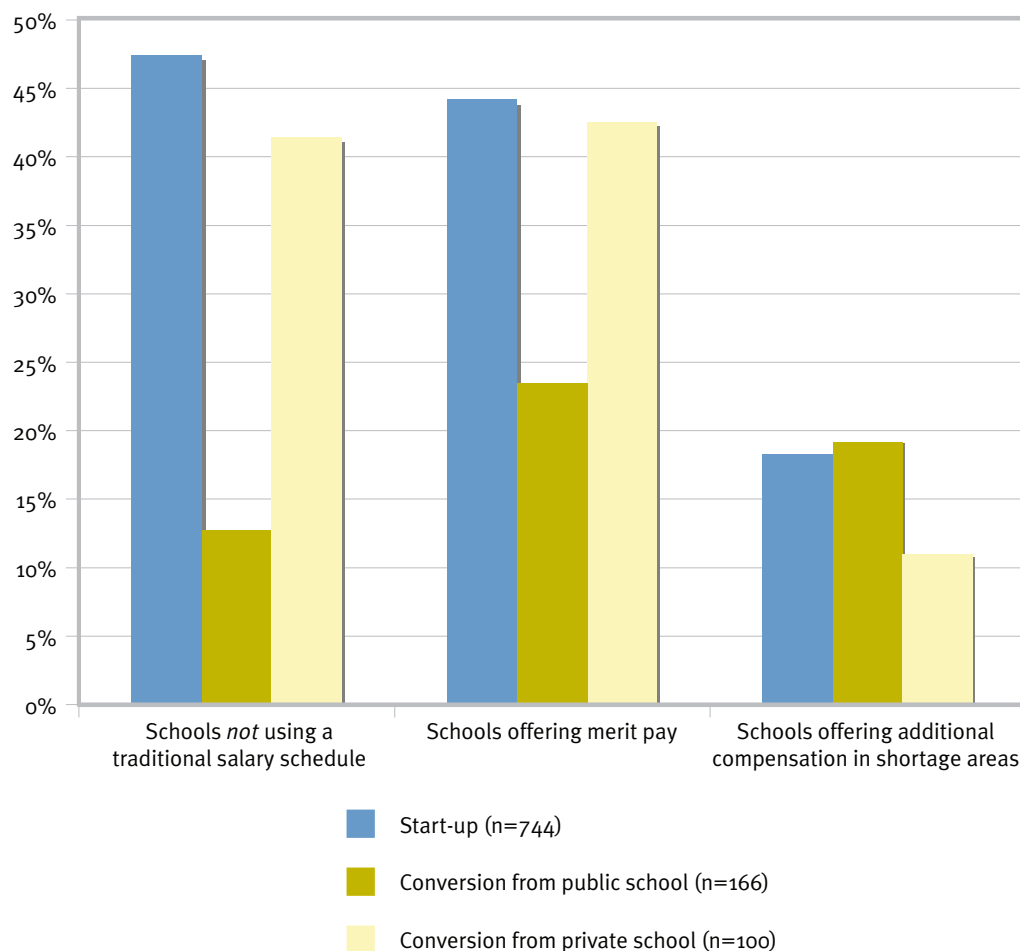
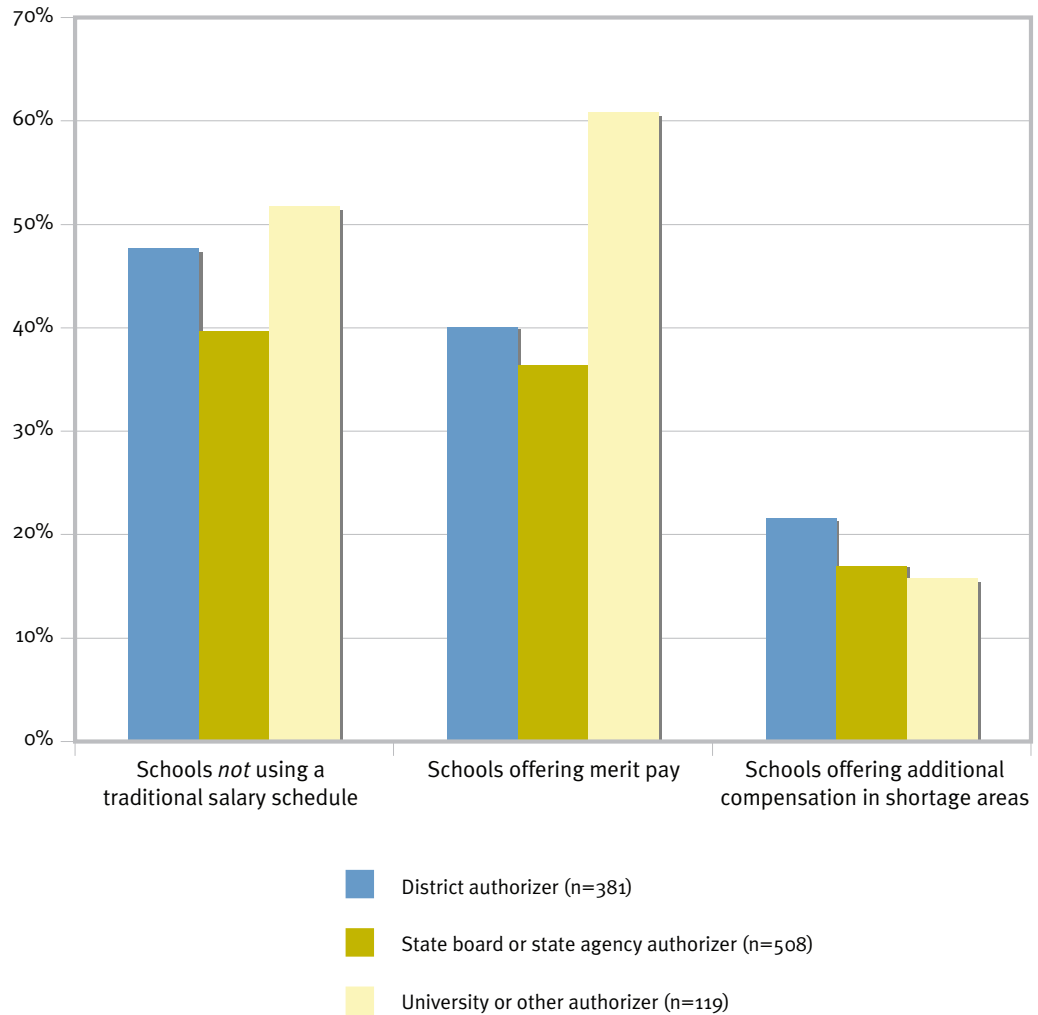


Figure 4 analyzes charter schools under yet another lens, by authorizer type. It suggests that charter schools that have non-district authorizers are more likely to experiment with compensation than those that are authorized by school districts or states. It is worth noting, however, that provisions of state law may trump the differences in figures 3 and 4. In states with more restrictive policy environments, there are no statistically significant differences in compensation policies by authorizer or origin.

FIGURE 4. COMPENSATION POLICIES IN CHARTER SCHOOLS BY AUTHORIZER



*Charter schools in less-restrictive policy environments, charter schools that are start-ups, and those that have non-district authorizers seem more likely to experiment with alternative compensation policies for teachers.*

State policy environments and organizational characteristics are intimately intertwined, so these four figures should be read with a heavy dose of caution. It is also possible that charter practices mirror traditional public school practices because these practices are more effective, practical, or help schools survive. Nevertheless, a quick look inside the charter sector suggests that charter schools in less-restrictive policy environments, charter schools that are start-ups, and those that have non-district authorizers seem more likely to approach the original hope that charters would experiment with alternative compensation policies for teachers. What does this mean for policymakers who want to encourage charters to become a source of experimentation?

## ENCOURAGING EXPERIMENTATION

Policymakers and school operators interested in encouraging experimentation in teacher pay might help set the stage for innovation with actions such as the following:

- *Address the constraints of state laws.* There is considerable variation in charter laws across the states, creating both more and less regulated policy environments for charter schools. States that require charter schools to honor existing district or state collective bargaining agreements should not be surprised if their charter schools resemble traditional public schools. Lifting these requirements may make it more likely that charter schools will experiment with compensation. For teachers and schools worried about losing job protections that come with collective bargaining, labor agreements like those used in some charter school networks (for example, Green Dot in Los Angeles) offer a middle ground, and may balance the risks associated with merit pay with other job securities.
- *Encourage “new blood” via start-ups and innovative proposals.* Given the difficulty of breaking with past practice, it stands to reason that start-ups hold more promise regarding human resource innovation than conversion schools. In addition, charter school developers and boards should continue to encourage the participation of people from outside traditional public school markets as part of charter school leadership teams and governing boards. In this way, charter leaders can hope to encourage a broad range of perspectives and experiences with compensation policy around charter school governance and leadership.<sup>10</sup> Start-up charter schools are allowed in the overwhelming majority of states, but the start-up process is costly. Increased state investment in incentives for starting charter schools, as well as authorizers that encourage innovative proposals, may promote a more diverse charter sector.

Of course, these approaches alone will not guarantee that charter schools break away from traditional compensation traditions. States, authorizers, and other organizations have a role to play providing technical assistance about human resource practices. The knowledge constraints around how to design an effective compensation system for teachers are formidable, for both charter *and* traditional public schools. Charter authorizers and other support organizations might help charter school leaders by providing information on alternative approaches to compensation and evaluating the effects of policies once in place.<sup>11</sup>

There is also an argument to be made that as long as charter schools face severe resource constraints, it is unlikely they will experiment with teacher compensation. Balancing capital costs through operational budgets, for example, may make it hard to find the

*The knowledge constraints around how to design an effective compensation system for teachers are formidable, for both charter and traditional public schools.*

energy (or the resources) to offer merit pay or incentives in hard-to-staff areas, especially when these plans are not cost neutral, as is likely the case with merit pay. If we assume that teachers are risk averse, inducing teachers to accept a more risky compensation scheme like merit pay will require more money than the costs associated with the certainty of a salary schedule. In addition, if performance pay produces the results it is intended to—increased teacher effort and better results—salaries and associated costs are likely to increase.<sup>12</sup> Although it is easy to ignore calls for more money, especially when they are associated with across-the-board salary increases, additional resources in the form of transition grants (much like the federal government has just awarded to charter schools in New York City) may be part of what is needed to drive innovation, especially regarding performance pay.

In the end, if chartering hopes to truly move student achievement forward, recruiting and developing human capital has to be a critical component. Part of developing human capital involves moving beyond the pay practices that have been used for decades in traditional public schools. In pursuit of that change, charter schools and policymakers face important challenges. For charter schools, the challenge is to overcome traditional thinking and make full use of their autonomy to attract and retain the highest-quality teachers. For policymakers, the challenge is to make sure that laws and regulatory environments support innovation. If neither challenge is met, personnel policies in charter schools may end up looking a lot more familiar than advocates once hoped.

*For charter schools, the challenge is to overcome traditional thinking and make full use of their autonomy to attract and retain the highest-quality teachers.*

*For policymakers, the challenge is to make sure that laws and regulatory environments support innovation.*

#### NOTES

1. Chester E. Finn, Bruno V. Manno, and Gregg Vanourek, *Charter Schools in Action: Renewing Public Education* (Princeton, NJ: Princeton University Press, 2000), 72.
2. E.g., on national data see Marisa Burian-Fitzgerald, Michael T. Luekens, and Gregory A. Strizek, “Less Red Tape or More Green Teachers: Charter School Autonomy and Teacher Qualifications,” in *Taking Account of Charter Schools: What’s Happened and What’s Next?* ed. Katrina E. Bulkley and Priscilla Wohlstetter (New York: Teachers College Press, 2003); on state data see Debbi C. Harris and David N. Plank, *Who’s Teaching in Michigan’s Traditional and Charter Public Schools*, Policy Report (East Lansing: Education Policy Center, 2003); Gary Miron, Christopher Nelson, and John Risley, *Strengthening Pennsylvania’s Charter School Reform: Findings from the Statewide Evaluation and Discussion of Relevant Policy Issues, Year Five Report* (Kalamazoo, MI: The Evaluation Center, 2002); and Bruce Fuller et al., *Charter Schools and Inequality: National Disparities in Funding, Teacher Quality, and Student Support* (Berkeley, CA: Policy Analysis for California Education, 2003).
3. E.g., see Burian-Fitzgerald, Luekens, and Strizek, “Less Red Tape”; Caroline M. Hoxby, “Would School Choice Change the Teaching Profession?” *Journal of Human Resources* 37, no. 4 (2002): 846-891; and Bruce D. Baker and Jill L. Dickerson, “Charter Schools, Teacher Labor Market

- Deregulation, and Teacher Quality: Evidence from the Schools and Staffing Survey,” *Education Policy* 20, no. 5 (2006): 752-778. By contrast, Harris and Plank’s (2003) study of Michigan charter schools found that charter teachers were likely to graduate from less competitive colleges than traditional public school teachers.
4. Increasingly aware of these problems, policymakers have put compensation reform in traditional schools near the top of the education reform agenda. See, for example, the U.S. Department of Education’s recent investment of \$80 million in local experiments with incentive pay. See Sam Dillon, “Long Reviled, Merit Pay Gains Among Teachers,” *New York Times*, June 18, 2007, <http://www.nytimes.com/2007/06/18/education/18pay.html>.
  5. Drew H. Gitomer and Adam S. Latham, *The Academic Quality of Prospective Teachers: The Impact of Admissions and Licensure Testing* (Princeton, NJ: ETS, 1999); Michael Podgursky, Ryan Monroe, and Donald Watson, “The Academic Quality of Public School Teachers: An Analysis of Entry and Exit Behavior,” *Economics of Education Review* 23, no. 5 (2004): 507-518; Dale Ballou, “Do Public Schools Hire the Best Applicants?” *Quarterly Journal of Economics* 111, no. 1 (1996): 97-133; Donald Boyd et al., “How Changes in Entry Requirements Alter the Teacher Workforce and Affect Student Achievement,” *Education Finance and Policy* 1, no. 2 (2006): 176-216; Richard J. Murnane et al., *Who Will Teach?* (Cambridge, MA: Harvard University Press, 1991); Robin R. Henke, Xianglei Chen, and Sonya Geis, “Progress Through the Teacher Pipeline: 1992-93 College Graduates and Elementary/Secondary School Teaching as of 1997,” Postsecondary Education Descriptive Analysis Reports (Washington, DC: U.S. Department of Education, 2000).
  6. Richard Ingersoll, “Teacher Turnover and Teacher Shortages: An Organizational Analysis,” *American Educational Research Journal* 38, no. 3 (2001), 499-534; Sheila Nataraj Kirby, Scott Naftel, and Mark Berends, *Staffing At-Risk School Districts in Texas: Problems and Prospects* (Santa Monica, CA: RAND, 1999); Robin Henke and Lisa Zahn, “Attrition of New Teachers Among Recent College Graduates,” Postsecondary Education Descriptive Analysis Reports (Washington, DC: U.S. Department of Education, 2001); and Murnane et al., *Who Will Teach?*
  7. Michael Podgursky, “Teams Versus Bureaucracies: Personnel Policy, Wage-Setting, and Teacher Quality in Traditional Public, Charter, and Private Schools,” paper presented at the National Conference on Charter School Research, Vanderbilt University, National Center on School Choice, Nashville, TN, 2006. These findings echo other surveys of charters. See Michael Podgursky and Dale Ballou, *Personnel Policy in Charter Schools* (Washington DC: Thomas B. Fordham Foundation, 2001). It is worth noting that on the SASS instrument, schools only indicate whether or not they use these incentives; it is not known how extensively they use them.
  8. Podgursky, “Teams Versus Bureaucracies.”
  9. <http://www.ecs.org/html/offsite.asp?document=educationIssues%2FCharterSchools%2FCHDB%5FIntro%2Easp>
  10. A recent survey of charter school directors in six states (Arizona, California, Hawaii, North Carolina, Rhode Island, and Texas) found that 60 percent of directors had prior experience in public schools as a teacher, assistant principal, or principal. As one charter school director recently told us when presented evidence about the limited use of alternative compensation in charter schools, “We do what we know to do.” For many, that is the traditional public school model.
  11. Ironically, given the hope that charter schools might be the source of experimentation in teacher compensation practice, charters might do well to examine recent reform efforts in some traditional public schools. Denver’s ProComp compensation reforms, for example, and the Milken Family Foundation’s Teacher Advancement Program (TAP) might provide useful models.
  12. See Dan Goldhaber et al., “Why Do So Few Public School Districts Use Merit Pay?” forthcoming in the *Journal of Education Finance*. On the other hand, it is possible that a successful merit pay plan might reduce turnover and training costs associated with low-performing teachers.