

Guiding Principles for Alternative Compensation System Exploration, Design, and Implementation

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These Guiding Principles were created jointly by a group of dedicated educators from the Ohio Department of Education, Ohio County Educational Service Centers, Ohio public and charter school district teachers, union leaders, principals, HR employees, and central office staff, and Battelle for Kids. The group participated in a four-month-long, facilitated, blended learning experience led by Battelle for Kids where members explored the history of educator compensation, elements of total compensation, compensation in other industries, comprehensive human capital systems, multiple measures, and compensation in districts from across the country.

This document was created to offer guidance to local and state education leaders who wish to explore, design, and implement an alternative compensation system (ACS). In an alternative compensation system, base pay is calculated using multiple measures (such as performance, additional duties, years of experience, and degrees) in contrast with the traditional step-and-level system where pay is based solely on years of service and advanced degrees.

Our first group discussions were around why an organization would consider implementing an alternative compensation system in an educational organization. After reviewing research, the group identified 13 specific reasons to explore an ACS. These include:

- Better align pay with the strategy and goals of the district
- Increase student growth and achievement
- Attract new talent
- Retain top talent
- Be competitive in acquiring new talent when competing with other districts and other professions
- Recognize exceptional work
- Allows participants to control their pay
- Incent staff to participate in individual personal and professional growth activities
- Ensure pay systems reflect research on educator effectiveness
- Gain support from stakeholders and the community
- Increase fairness
- Focus on financial sustainability
- Meet legislative requirements in some states

We recommend the following guiding principles for the stages of exploring, designing, and implementing an alternative compensation system.

These principles can be shifted between phases or columns, depending upon each district's needs:

- Explore:** What should my organization consider when *investigating* an alternative compensation system?
- Design:** What should my organization consider when *building* an alternative compensation system?
- Implement:** What should my organization consider when it comes to *executing* an alternative compensation system?

EXPLORE

What should my organization consider when *investigating* an alternative compensation system?

1. Communicate:

Stretching all three categories is communication. Open, constant, and consistent communication from day one is imperative when building trust and creating a transparent environment. Communicate consistently with stakeholders using a variety of vehicles (print, website, social media, video, face-to-face meetings, etc).

2. Educate:

Staff should be exposed to articles on ACS research, perceptions, structures, measures, systems, models, and processes. Having a common understanding will aid in a collaborative design process. Many districts across the country have experimented with a variety of systems and measures. It is important to review their work, research their district strategy, learn about their teacher and student demographics, and even read newspaper articles and comments. However, while copying another district's model may be easy, the results will more than likely not get your organization where you want to go. Thus, review models with an open mind and note what you like and dislike about models—then design your model, keeping in mind the pieces and parts from others'.

3. Solidify District Strategy:

Without a clearly defined district strategy, an organization cannot align its pay system to goals.

4. Build Understanding around Legislation and Policy in Your State:

Changing a compensation system is difficult enough, but it is important to review your state's laws around pay by asking questions such as: "What measures can be used when it comes to a base-salary calculation?", "Can compensation be reduced?" and, "Must payments also include payment to fringe?"

5. Hold Discussions around Willingness:

After initial learning activities, honest and transparent conversations need to occur around your organization's readiness to pursue an ACS, asking the question, "Should we consider this opportunity and why?" Conversations must also be held around individuals' readiness. If the majority of teachers are not interested in changing the current system, it may not be the right time.

6. Hold Discussions Around Readiness:

Organizations must know that change is not easy and that doing too many things at one time may undermine the design process. After discussing willingness, make sure you discuss your organization's readiness and capacity to carry out this work.

7. Review Your Financial Status:

When considering creating a new system, make sure you involve your district treasurer or chief financial officer. Designing a compensation system requires funds, as does implementing. New information systems and processes will need to be put in place. While this principle may take time, the planning will greatly pay off.

8. Develop a Strategy for Design:

Having a timeline, strategy, and identified team to design an ACS is important. This design strategy should be tied directly to your district's strategy.

9. Plan for Integrated Systems:

One of the hardest and often forgotten steps in exploring and designing ACS's is looking at how to make the system comprehensive, and integrating it with existing systems.

DESIGN

What should my organization consider when *building* an alternative compensation system?

1. Communicate:

Stretching all three categories is communication. Open, constant, and consistent communication from day one is imperative when building trust and creating a transparent environment. Communicate consistently with stakeholders using a variety of vehicles (print, website, social media, video, face- to-face meetings, etc).

2. Build a Diverse Stakeholder Design Team:

A stakeholder is a person, group, organization, or system that affects or can be affected by an organization's actions. The success of a district's ACS relies heavily on stakeholder engagement and buy-in. If employees do not see the importance of participating in or supporting an alternative salary schedule system, they will not do so. It is essential, therefore, that every district builds a design team of internal and external stakeholders. Additionally, organizations and unions or professional associations should work together to develop and implement the plan utilizing collective bargaining where it exists. In situations where collective bargaining does not exist, teachers and principals should still be involved in the design and work with the design team to reach consensus.

3. Create and Utilize One Language:

Many terms are used by the media when it comes to ACS, such as merit pay, performance-based compensation systems, bonuses, variable pay, etc. It is important to know that these terms all mean something different, so interchanging terms is not accurate or appropriate. Use the term ACS and ensure everyone understands the definition of that term.

4. Collect and Use Feedback:

Incentives by their nature must fit the groups or individuals you are trying to incent. Thus, surveying teachers and principals on their perceptions of collaboration, compensation, and desired "rewards" is important. Using the information collected is even more important. Each ACS must fit not only the strategy and culture of the organization but the people who work there.

5. Always Consider Sustainability—Perform Financial Modeling:

It is important to be certain that what you promise is something you can uphold financially. To reduce program risk, it is important to take into account current funding, past performance, and future performance. This is also important when it comes to sustainability. One of the main reasons organizations look to converting to an ACS is that it is more likely than a simple bonus program to be sustainable.

6. Understand the Data You Have Available:

Planning to use data that you do not have can cause serious issues when performing calculations of a new base-pay system. Likewise, utilizing data that "lags" or does not come back for a long period of time can cause your ACS system to be delayed. Know what data you have available to you and when you are expected to receive it.

7. Include Multiple Measures—But Not Too Many:

Utilizing multiple measures will reduce error in your final calculation. Use multiple measures such as observations, evaluations, value-added data, achievement data, peer feedback, student surveys, parent or community surveys, graduation rate, ACT scores, AP scores, SLO's, vendor assessments, etc. From research we also know that a "cash-for-test scores" method will not increase student achievement. While it is important to utilize multiple measures, it is also important to not use too many measures, as this creates confusion.

8. Identify Eligibility Rules:

Eligibility rules are the list of requirements pertaining to topics such as attendance, performance, participation, standing, and more that an individual must meet to be part of the alternative salary schedule program.

9. Build your Systems to Allow Individuals to Opt-In or Opt-Out:

ACS's change the compensation many teachers and principals have become accustomed to. Giving individuals the opportunity to choose whether or not to participate is an effective way to build trust.

IMPLEMENT

What should my organization consider when it comes to *executing* an alternative compensation system?

1. Communication:

Stretching all three categories is communication. Open, constant, and consistent communication from day one is imperative when building trust and creating a transparent environment. Communicate consistently with stakeholders using a variety of vehicles (print, website, social media, video, face-to-face meetings, etc).

2. Create an Implementation Plan and Consistently Ask “Is this working?”:

This plan needs to include a plan for PD, communications, systems review, and program update/redesign. It is important to evaluate systems, time, processes, costs, and adverse effects, gauge participant perceptions, and quantify outcomes in an attempt to insure your program is implemented and designed accurately.

3. Know and Uphold the Law:

Employment law is detailed and complex. When an organization has questions during the design or implementation stages, it is always best to pose them to the organization’s HR staff and/or its legal counsel.

4. Consistently Implement Rules:

Bending the rules for one person, or case, versus another creates legal precedent. Ensure your organization is upholding legal and ethical standards.

5. Build a Process for Issue Resolution:

Issues will arise. The important factor is knowing how to handle and document them. Creating a process for issue resolution that is easy to understand and communicated to everyone is necessary.

6. Design and Carryout a Comprehensive PD Plan:

We know that helping individuals grow personally and professionally is important for student success. We must also remember this when it comes to designing a new ACS.

7. Know You Can’t Be Everything to Everyone:

There will always be a group of individuals who are not enthralled with a new system. This does not mean that all the work done is lost. If change wasn’t hard, everyone would do it.

8. Transparency is Key:

Ensure the model, measures, calculation processes, issue resolution, eligibility criteria, and expectations are transparent. Making a change this large requires a great deal of trust. Transparency aids in creating and maintaining a relationship.

9. Construct a Crosswalk:

Build a document that clearly depicts the difference and transition between the districts current compensation system model, policies and practice and new ACS.

Organizations involved in the creation of these Guiding Principles were:

Akron City Schools
Auglaize County Educational Academy
Berea City Schools
Cleveland Municipal School District
Coventry Local School District
Cuyahoga Heights Local School District
ESC of Auglaize County
ESC of Central Ohio
ESC of Cuyahoga County

ESC Summit County
Fairport Harbor Exempted Village
Greater Summit County Early Learning Center
Liberty Union-Thurston Local School District
Life Skills of Northeast Ohio
Manchester Local School District
Maysville Local School District
New Lexington City Schools
Nordonia Hills City Schools

Oakwood City Schools
Olentangy Local School District
Parma City Schools
Perrysburg Exempted Village
Richard Allen Schools
Ridgemont Local School District
South Euclid-Lyndhurst City Schools
Ohio Department of Education
Battelle for Kids