Houston Independent School District: Culture Change through Performance Pay

DMC Case Study

by Nicholas P. Morgan

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When Dr. Abelardo Saavedra was appointed Superintendent of the Houston Independent School District (HISD), Texas's largest school district, he found pockets of deep poverty, a large population of ESL students, and underperforming schools. In 2005, only six of the district's 281 schools were performing at the exemplary level, according to Texas state standards. When Saavedra retired in August 2009, his district looked very different. The demographics had not changed significantly, but HISD had become the highest performing urban district in Texas. The number of HISD schools on the state's "exemplary" list had grown from six in 2005 to eighty-four schools.

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How did the district undergo such a radical transformation in such a short time? Saavedra credits the performance pay program he instituted in 2006 as central to ushering in the cultural change that led to the dramatic growth in student achievement. He is the first to admit that the implementation of performance pay was not always smooth. "I got stubborn to do it all at once," said Saavedra. "I anticipated some controversy, but I didn't think we would get as much pushback as we did. However, when you are completely invested in a movement, odds are that you will survive it." He believes that the improvement in academic achievement was worth the risks they took. The performance pay program at HISD continues to evolve and grow; in early 2010, HISD paid more than $40 million in performance bonuses to almost 90 percent of eligible employees. Like Saavedra, the District Management Council (DMC) believes that calculated risks are a necessary component of true commitment to continuous improvement. Some school districts might hesitate to take risks due to funding limitations and/or political exposure. But, in these uncertain financial times, playing it safe could end up being the riskier bet.

The Houston Context

In many ways, Houston had a favorable environment for launching a revised performance-based compensation program. First, Houston already had experience with differentiated compensation as several initiatives had been implemented under the previous superintendent Rod Paige's leadership. Also, the climate for differentiated compensation was beginning to shift both nationally and at the state level. Texas had created incentives such as the Governor's Educator Excellence Award Program, a statewide teacher incentive pay program. Most importantly, Texas is a "right to work" state, meaning that employees cannot be required to join a union or to collectively bargain. While the context for other districts may differ significantly, DMC believes that a study of HISD's experience, its successes and missteps, can provide valuable lessons for other districts looking to formulate and implement performance-based compensation.

The Implementation Process

DMC has developed a six-stage process framework for districts to use in implementing a performance pay program (see Figure 1). ▷

HISD administrators discuss the design and implementation of the Performance Pay Program.

FIGURE 1

Process Framework for Performance Pay Implementation

1. Test & Seed the Idea
- Are we ready to take this on? Politically? Financially?
- Are "hygiene" factors sufficiently addressed?
- What objectives are we pursuing?
- What funding levels will be required? Where will the funding come from?

2. Enroll the Advocates
- What segments of district staff, teachers, parents, and community will act as advocates?
- Can we establish planning committees that make use of advocates as "change agents"?
- Where can we use the influence of the advocates to overcome possible roadblocks?

3. Design the Detailed Plan
- How will the plan be structured?
- What data will we use to assess "performance"?
- How will payments be structured, and for whom?
- How will we treat principals and non-tested teachers?

4. Communicate Broadly
- How will we educate the teachers and the staff on the new approach and why is this a good idea?
- How will we educate the parents?
- How will we educate the other taxpayers?

5. Roll Out the Plan
- Should we implement a pilot program first, or go straight to a broad rollout?
- Should teachers be allowed to opt in or opt out at the outset of implementation?
- Is all needed capacity (IT, etc.) ready for rollout?

6. Monitor & Adjust
- Is the plan progressing against our objectives?
  –Student outcomes (growth, compliance, etc)
  –Teacher turnover & recruitment
  –Cost parameters
- What should we do differently?

Source: DMC

Stage 1: Test and Seed the Idea

Saavedra was appointed Interim Superintendent of HISD in June 2004, and appointed Superintendent six months later. Prior to his appointment, student achievement had flattened. His mandate in Houston was clear: to jump start student achievement growth. Saavedra had an ally in the creative, innovative president of HISD's Board of Education, who was receptive to new ideas, specifically to a different compensation model. Houston had some experience with school-based performance pay in the 1970s and 1990s, but the programs were based on achievement levels, not growth, and most felt that the stipends were not significant enough to make a strong impact on behavior. This time, Saavedra convinced the board to pursue a growth-focused and individual-based pay for performance program.

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>
> —Dr. Saavedra

Because of the legacy programs, Houston already had $6.5 million in the budget for performance pay programs. To fund the total amount needed for the initial revised plan, the board gave teachers a 2 percent raise instead of a 3 percent raise, redirecting the incremental 1 percent toward funding the performance pay program. Additionally, in October 2006, HISD received an $11.7 million federal Teacher Incentive Fund (TIF) grant to spend over the next five years on the program. Though HISD does use government and private grant money available, the Houston team believes the money ultimately has to be in their school budget and sustainable from year to year for the program to be effective. Saavedra also believes it is important to include local money as part of the project. "Local money is important – it gives trustees and everyone in the community skin in the game if controversy stirs. Community buy-in is a must."

Saavedra requested funds and developed an initial plan in cooperation with his research department. The plan was approved by the board in January 2006, after just six months in the works. In designing the plan, Houston made an important decision to measure growth versus achievement so it would be clear if a teacher had presided over the improvement in student achievement. The board believed that the prior policy, which rewarded achievement, created disincentives to teach the neediest students in the lowest performing schools. Clear goals were needed as to how achievement would be measured to determine the awards. In the first year, Houston used the state standardized Texas Assessment of Knowledge and Skills (TAKS) and the Stanford 10, a norm-referenced test, to determine growth separately on each assessment. The program rewarded teachers of core subjects based on the performance of the students in their classroom and the performance of the school as a whole. Teachers of electives, such as art or physical education, were rewarded based on the performance of the school since those subjects are not measured by traditional tests. Core teachers were eligible for greater awards, causing objections from non-core teachers, but the leadership in Houston decided to stick to the formula they adopted because the core teachers had much more at stake.

Saavedra also felt strongly that performance pay had to be significant to truly provide an incentive. Historically, the payout to teachers ranged from $500 to $800, a level that was thought to be too low to spur significant changes in behavior. The new plan called for a shift to $3,000, ultimately climbing to a maximum of $10,000 over five years. Creating performance pay models requires asking, "What motivates teachers?" Are teachers motivated by extrinsic rewards such as money or are they motivated by intrinsic awards such the importance of their work and the perceived gains in student achievement? Interestingly, research about motivation often shows that people tend to think of themselves as motivated intrinsically, but think their colleagues are motivated extrinsically. "People don't want to admit that they are motivated by money, but people are motivated by money," said Saavedra.

The body of quantitative research on performance pay as a driver of student achievement is young and still emerging, though largely positive. Anecdotal and qualitative evidence also support performance pay

models as a strategy for improving student achievement, teacher behavior, and cost effectiveness.

Rather than starting with a pilot program, Saavedra sought to implement the program across the district, knowing that improvements and changes would be made to the program in the future. Many people criticized the approach as "top down," but the administration defended what they viewed as a leadership role in implementing the program without waiting for perfection. "Perfection is the biggest obstacle to progress," said Saavedra.

Stage 2: Enrolling the Advocates

Gaining support of the various constituencies is critical to successful implementation of a significant program such as the one implemented at HISD. The first advocates that Saavedra enrolled were the board members. Dianne Johnson, the president of the board during the implementation of the performance pay program, was excited about the topic and championed it among the other board members until there was unanimous support. "The board allocated funds for this because ▷

FIGURE 2

ASPIRE Award Model for January 2010 Payout Based on 2008-09 Analysis

2008-2009 ASPIRE Awards for Teachers

	Category	Strand 1: Campus Progress Award — Award	Strand 2: Teacher Progress Award — A	B	C	D	E	Strand 3: Campus Improvement and Achievement Awards — Part A Campus Improvement Award	Part B Campus Achievement Award	Part C Campus Writing Achievement Award — 4th & 7th Grade Writing & High School ELA	Other Instructional Staff	Maximum ASPIRE Award — 4th & 7th Grade Writing & High School ELA	Other Instructional Staff
A	Core Teachers, Grade 3-6 Self-Contained	$1500	$7000					$1000	$400	$400	$200	$10300	$10100
B	Core Teachers, Grade 3-8 Departmentalized	$1500		$7000				$1000	$400	$400	$200	$10300	$10100
C	Core Teachers, Grades 9-12	$1500			$7000			$1000	$400	$400	$200	$10300	$10100
D	Core Teachers, Early Childhood-Grade 2	$1500				$3500		$1000	$400	N/A	$200	$6600	
E	Special Education Teachers *No Value-added Report	$1500					$3500	$1000	$400	$400	$200	$6800	
F	Non-Core Teachers	$1500	N/A					$1000	$400	N/A	$200	$3100	
G	Instructional Support Staff	$1000	N/A					$500	$200	N/A	N/A	$1700	
H	Teaching Assistants	$1000	N/A					N/A	$100	N/A	N/A	$1100	
I	Operational Support Staff	$750	N/A					N/A				$750	

Awards shown are maximum amounts for each strand and category.
Based on 2008-2009 school-year data.

* For Special Education teachers in grades 3-8 where a value-added report cannot be generated or grades 9-12 with fewer than 10 TAKS or TAKS-accommodated students. All other Special Education teachers will be considered under the respective core instructional category according to the position eligibility rules.

Source: Houston Independent School District

the board wanted the program," said Johnson. "It was an extremely rocky start, but the board was committed to the concept and committed to getting it right." This unwavering board support became a keystone in overcoming obstacles from other stakeholders including the Houston Federation of Teachers, individual teachers, and unfavorable media coverage.

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Stage 3: Design the Detailed Plan

Initially, Saavedra delegated most of the design work to the district's 20-person research department. The result was a three-strand system of incentive pay focused on the year-over-year progress of students rather than setting a finite threshold of student achievement (see Figure 2). The first strand rewarded teachers and other eligible school-based staff on how much their school had improved on the reading and math Texas Assessment of Knowledge and Skills (TAKS) compared with other state schools with similar demographics. The second strand rewarded teachers based on the relative improvement of individual children on the Stanford and Aprenda national achievement tests. The third strand rewarded core subject teachers for year-over-year student progress in their subject area on the TAKS test. Originally, each strand of performance pay offered a maximum $1,000 award. Over time, however, the

district planned to increase performance pay to $10,000 per year, nearly 20 percent of the average teacher's salary in Houston. The goal of a maximum performance pay of $10,000 will be accomplished with the January 2010 payout.

In the first year, the data was analyzed and prepared by the district. Many teachers did not understand how the value-added formulas were computed. But, while the teachers may not know every detail of the formula, they all know whether the test scores are up or down. Eventually the program changed the culture around using data in Houston. Teachers realized that a 20% increase in earnings could significantly impact their livelihood, which became a real motivator for them to get on board with this program (see Figure 3).

FIGURE 3

Results of the January 2007 Payout Based on 2005-06 Analysis

	2004-05 Previous Model	2007-2008 Results
Instructional Staff Earning Performance Pay	2,007	11,323
Number of Schools Participating	48	300
Performance Pay Earned	$2,077,000	$31,570,473 (total with grant & local match)

Source: Houston Independent School District

Stage 4: Communicate Broadly

For HISD, the first hiccup for the performance pay program occurred in the communications and rollout phase. Though informational meetings were held for teachers and other stakeholders during the program's design, attendance was mixed, leading the administration to mistakenly conclude that there was little objection. Looking back, this was the origin of most of the rollout difficulties and misunderstandings that occurred. "The biggest lesson I learned is that you

cannot communicate enough. If the room is half empty, you are not communicating. You must find a format to access the listeners," said Saavedra. Once the first bonus checks went out, the "listeners" showed up at meetings en masse. It was then that Saavedra formed an advisory board that included some of the angriest objectors, and strong communication and understanding began to be forged.

Saavedra and his team had put the program together in six months, a fast pace for such a large initiative. Saavedra advises that district leaders should confirm that the message is being communicated and understood by all affected parties. Saavedra and district officials thought the teachers and public understood the program, but they hadn't. Many constituents also had trouble digesting the concept that the program would be improved over time, and were expecting perfection from the start.

Stage 5: Roll Out the Plan

For Houston, rollout of this ambitious plan has been described as "rocky". Indeed, several challenges arose during the first year of implementation.

Roughly half the eligible teachers received a bonus, but those who were ineligible became angry and upset at what they perceived to be a divisive and unfair policy. Teachers and the community did not perceive the district's approach to determining performance-based awards to be transparent. The district did not have the systems in place at that time to provide all the award data to teachers in advance of their receiving their checks. HISD intended to keep specific information about awards granted private, but the *Houston Chronicle* submitted a Texas Open Records request to which the district was required to respond. The *Houston Chronicle* then published the awards on their website before the teachers had even received official notification from the district. The result was anger and hurt feelings among those teachers who did not get awards as well as among those who were ineligible because their subject areas were not included in the award structure. Then, in March 2007, two months after teachers had received their awards, it was discovered that a computational error had resulted in over-payment of bonuses to 99 part-time teachers; they were asked to return portions of their awards to the district.

Despite these initial difficulties, Saavedra remained convinced that rolling out the program district-wide was critical. If he had piloted the program, he fears the program might not have survived the initial backlash. Because the district, particularly the school board, was fully invested in it, they were able to roll up their sleeves and find ways to improve the program for the future.

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Stage 6: Monitor and Adjust

HISD delivered on the promise to adjust and redesign the plan as needed in subsequent years.

After the first year, the district outsourced the data calculations to external partners including Dr. William Sanders of SAS, Inc. for his Educational Value-Added Analysis System (EVAAS) and Battelle for Kids for communications and professional development. These partners improved the data system and the internal communications structure. Using outside partners brought credibility.

HISD created an advisory panel, bringing on 20 classroom teachers, including those who were angriest. They worked with district officials and national experts to design an improved model of the program. "I wanted to hear what the real issues were," said Saavedra. "I think the desire to correct our mistakes worked for us in the end."

Between January and September 2007, the advisory board developed the new performance pay program, the ASPIRE Award Program, and the board voted unanimously to accept the program in September 2007. This updated award program became part of an overall educational ▷

> HISD allowed teachers to opt out of the performance pay program, but in the end, very few decided to do so. In fact, more and more teachers show support for the program and challenge any effort to abolish the program.

FIGURE 4

Improvement Framework

Developing Human Capital

Improving Teaching & Learning

ASPIRE

Informing Practice

Recognizing Excellence

Source: Houston Independent School District

improvement model called ASPIRE (Accelerating Student Progress Increasing Results and Expectations), which consisted of a four-pillar approach: developing human capital, improving teaching and learning, using data to inform decision making, and recognizing excellence (see Figure 4). The ASPIRE Award program was one strategy under the Recognizing Excellence pillar. The district felt it was important to ensure that performance pay was tied to an overarching goal of increasing student achievement, and was not just about money. The current goals of the ASPIRE Award program are to (1) promote the retention of highly effective teachers, (2) provide incentives for highly effective teachers to work at economically disadvantaged campuses, (3) advance efforts to ensure stability at campuses with high levels of student achievement, and (4) recognize and reward exceptional student academic progress at the campus and classroom level. In April and May 2008, the district launched the ASPIRE Regional Community Forum series designed to enhance communication efforts through dozens of meetings at schools and to provide updates on the ASPIRE program. These forums continue to be offered every school year.
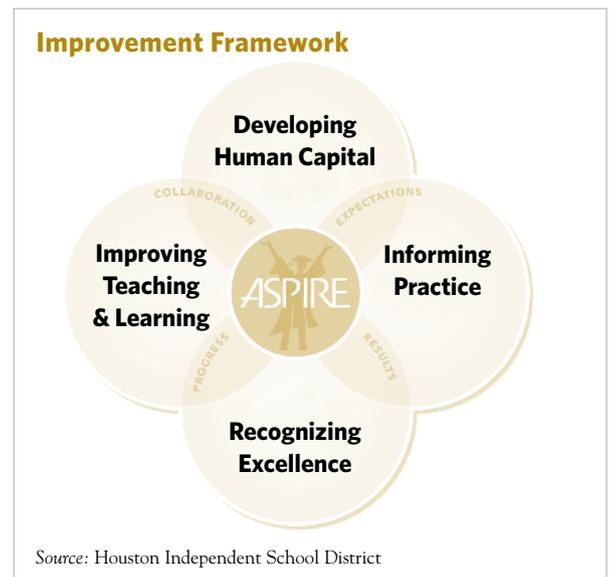
Results: Intended and Unintended

The Houston performance pay program has been tremendously effective in improving student achievement. In addition, the performance-based pay program has radically transformed the culture at HISD among teachers, students, and parents.

In terms of student achievement and teacher recruitment, the data tells a powerful story. By 2009, Houston had 73 percent of its schools in the exemplary or recognized category. Between 2004 and 2008, Houston also saw an increase in the number of AP test takers and a 36% increase in the number of students who scored a 3 or higher. The applicant pool for HISD teaching positions rose by 30 applications per open position, and hard-to-staff schools saw an increase of 26 applicants per open position between 2006 and 2008.

The cultural shift at HISD is equally impressive. Dr. Michele Pola, chief of staff to both Dr. Saavedra and current superintendent Dr. Terry Grier, said, "It was a big culture shift from having everyone being paid the same because they showed up. Some people make a greater difference in the lives of students than others, and those are the ones we want to retain." HISD allowed teachers to opt out of the performance ▷

Q&A with Dr. Abelardo Saavedra, former Superintendent, Houston Independent School District

DMC: You are a strong proponent for measuring growth versus achievement. How did your district arrive at this decision?

Dr. Saavedra: HISD had been performance/data driven for over a decade, but we were using data superficially. Adopting a growth model to measure performance finally got us to the "deep dive." The previous assessment model based on achievement level creates a focus on the "bubble kids"—the kids that are hovering at or near the performance achievement level. A growth model does not give a teacher the luxury to concentrate on only the "bubble kids." The "bubble kid" culture was replaced with a culture where the growth of every kid is important. Truly, no kid is left behind.

DMC: You have said many times that if you had to do it over, you would pay more attention to the communications strategy. What specifically would you do differently and what would you recommend to other districts?

Dr. Saavedra: My recommendation to districts is to recognize how significant a change this is and to make sure you get the message to the teachers and to the rest of the community. Communication is the responsibility of the communicator, not the listener. If you don't have your listeners in the room, you are not communicating no matter how many meetings you hold. You shouldn't interpret an empty room to mean that people support the program.

We should have recognized that the meetings we were holding were not the right format for communicating the information. Although we formed a teacher advisory group after controversy arose, we should have done this from the get-go. While we had complete support from the school board, we had not reached out sufficiently outside the school district. Support and advocacy was needed from our business community and the community as a whole. We failed to engage these constituencies early enough.

DMC: You feel strongly that the program should be launched district-wide. What do you see as the disadvantages of a pilot?

Dr. Saavedra: Pilots often play an important role in implementing new programs in school districts, but this was not a "test the waters" type of initiative. I knew from the beginning that differentiated pay for teachers was a huge change from the norm. I felt it had to be all or nothing. I knew we would encounter issues and challenges, but we had to be committed to finding a way to swim our way out or be willing to sink. As superintendent, I had a lot of skin in the game and I needed the full commitment of the school board. They did not disappoint me. As difficult as it got at times, they stuck with us. Too often pilot programs come with an exit strategy; I feel quite certain that if we had started with a pilot, this program never would have survived.

DMC: Given your experience, what else would you recommend to districts just getting started?

Dr. Saavedra: I would recommend that districts engage community leaders and business leaders early in the process. I think we would have gotten past the challenges more quickly if we had engaged the community sooner. But, you have to find the balance between communication and driving the implementation. Some communities may require much more communication, but at the end of the day, you still have to keep driving the implementation. Each superintendent and school board needs to determine that.

DMC: As Houston gets more comfortable with using data in new ways, what sorts of changes do you see for the future?

Dr. Saavedra: Some of the discussions within the past year include creating monetary incentives for high performing teachers to teach summer school, to mentor other teachers, and to transfer to high-need schools. There is thought going into creating a clearer career path for the top 10% of performers. HISD is definitely ready to move to the next level of differentiated pay and holding teachers accountable for the academic growth of their students. □

pay program, but in the end, very few decided to do so. In fact, more and more teachers show support for the program and challenge any effort to abolish the program. "Performance pay became a driver for a paradigm shift from passing students at minimum standards to really getting those kids from economically disadvantaged backgrounds on a trajectory for college readiness," said Johnson. Though the Houston Federation of Teachers still objects to the plan, there is reduced teacher turnover that some attribute to the bonuses. Time will tell, but Johnson staunchly defends the risks taken by Houston. "It is very exciting to see the shift and the potential this has for how we serve our students," said Dr. Grier. "No child should be exposed to ineffective teachers. We should see academic progress that correlates with the time the students spend with us."

> **"Being ignorant about how difficult this process would be was really helpful," Saavedra says humbly. "Once you're in it, you're in so deep that the only way to get out is to move forward."**
>
> —Dr. Saavedra

Looking Ahead: Finding New Ways to Use the Data

As Houston looks ahead, the most fertile area for further improvement is to use the data the district has collected in new ways. They are speaking to teachers with high value-added and publishing best practices for use by others in the district. The district fosters a culture of increased collaboration where teachers observe one another and try to improve their skill sets. In their recruiting practices, HISD now uses the ASPIRE Award program as a recruitment strategy for the nearly 1,200 new teachers the district hires each year. HISD uses the data to assess which universities are producing teachers with the highest value-added and seeks to increase recruitment at these schools. Data is also used to enhance retention at the district; summer

job opportunities and greater career opportunities are offered to teachers with high value-added data so they stay in the district.

In addition, under the leadership of Dr. Grier and the board of education, the district recently passed a policy to include teacher-level value-added as an additional measure in the district's performance evaluation system. Superintendent Grier notes, "One of our highest priorities is to ensure that there is a highly effective teacher in every classroom. Our students and our parents deserve nothing less. We are committed to providing various ways, including our ASPIRE Award program, for our most talented teachers to earn the highest levels of compensation and remain in HISD. The value-added data that we have been using for the past three years has provided us with the kind of information we need to identify and recognize these teachers." The district also intends to use data to identify teachers who need additional support and professional development.

Lessons Learned

The willingness of Saavedra and the board to take a huge risk was critical to bringing about this dramatic change in student achievement and in the culture of the district. "Being ignorant about how difficult this process would be was really helpful," Saavedra says humbly. "Once you're in it, you're in so deep that the only way to get out is to move forward." In fact, the bold decision to implement a less than perfect plan and to commit to continuous improvement ended up being essential to the program's ultimate success. The willingness to weather making mistakes and to address issues as they arose resulted in the large and successful performance pay program HISD has today. DMC recommends that school districts considering an innovation apply results-oriented management techniques, appropriate organizational structures, and risk and resource allocation controls to reap the greatest benefit from their initiatives. □

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