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# Performance Contracts for Administrators

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In the business world, CEOs are often paid on the basis of their performanceÑa bonus if profits increase, a decrease for flagging financial results. Increasingly, school districts are adopting or contemplating the use of performance contracts (also known as pay-for-performance) as a way of holding administrators accountable. While school administrators have always been held accountable for their performance, the practice of linking pay to indicators such as student achievement has been rare. However, pay-for-performance is now in place in many districts nationwide.

The increased interest in performance contracts coincides with demands for greater accountability. This pressure is coupled with an increased emphasis in state and national school reform on concrete results of progress such as student achievement (Graves 1995). For some superintendents, putting their salary on the line is one way to demonstrate that they are taking their job seriously. Tying pay to performance makes the issue of accountability more palpable, some suggest.

### What Are Performance Contracts?

Performance contracts are agreements between an administrator (predominantly superintendents) and the school board that link the administrator's pay to indicators of job performance. Most commonly, performance contracts include bonuses for a job well done, and, less often, salary decreases for poor performance. The American School Board Journal and George Mason University conducted a nationwide survey of superintendents and school board members on the issue of performance contracts. Survey results revealed that while the majority of respondents (67 percent of board members and 63 percent of superintendents) believed superintendents' salaries should increase with improved district performance, only 44 percent of board members and 34 percent of superintendents believed there should be a decrease in salary for poor performance (Bushweller 1997).

Philadelphia Superintendent David W. Hornbeck is one administrator who requested that his pay be linked to his performance, as well as to the performance of the district's 217,000 students. Half of Hornbeck's evaluation is based on student test scores and the other half is based on an examination of factors such as improving school attendance and graduation rates and increasing the number of students who have health insurance. If Hornbeck meets his goals, he earns a bonus of up to 10 percent of his base pay. However, if the district's performance is unimpressive, then Hornbeck could face a reduction in salary of up to 5 percent (Bushweller). Hornbeck's performance contract is just one example out of many diverse and highly individualized contracts.

### What Indicators Should Be Used to Evaluate Administrators' Performance?

Even among supporters of performance contracts, there is little consensus regarding what indicators should be used in administrator evaluations. While student test scores are the most commonly used indicator, they are also the most controversial.

Those that support the inclusion of student achievement in performance contracts argue that improved student performance is the goal of every superintendent, as well as a high priority among parents and the public. Using test scores as an indicator of performance, supporters contend, will result in increased attention to student achievement and will organize schools around helping students achieve standards (Graves).

Others disagree, characterizing test scores as biased. ÒTest scores can be manipulated in lots of ways, according to Bill Graham, Palm Beach County school board member. ÒIt's an oversimplified measure (Bushweller).

Some argue that when student performance is linked to pay, superintendents will place undue pressure on teachers to Òteach to the test and ignore or give cursory attention to material not covered on the exam (Bushweller). Similarly, other critics contend that use of student test scores as an indicator creates the danger that administrators will be less attentive to other issues affecting the school district (Graves). Many believe that if student test scores are included as a measure of superintendent performance, they should not be the sole indicator. Other performance indicators may include demonstrating budgetary acuity, improving school safety, offering staff development opportunities, designing a challenging curriculum, maximizing parent and community involvement in schools, and improving student attendance and graduation rates.

### Why Are Administrators Offered Performance Contracts?

Should a superintendent's salary be tied to the district's performance? This question fuels considerable controversy. Many believe superintendents should not take the creditÑor the blameÑfor work that is the result of the efforts of many people. Others assert that administrators strongly influence the performance of the district as a whole (Bushweller).

Some ask, Why are administrators typically offered performance contracts even though teachers and other staff members are not? The demanding nature of the superintendent's roleÑlong hours, ever-changing demands, endless challenges and problemsÑis cited as part of the rationale (Lafee 1999). In addition, pay-for-performance contracts help in the recruitment and retention of talented professionals at a time when the pool of qualified candidates is small, and effective leaders are aggressively recruited to work in the private sector as CEOs of educational organizations (Freeston 1999, Johnson 1998).

Some perceive establishing performance contracts for administrators as the first step toward creating a performance-based pay system for all employees. Superintendents are just setting the example, and paving the way for principals and teachers (Graves).

However, many are concerned that performance contracts could unfairly hold administrators accountable for factors beyond their control. ÒAdministrators cannot fully control the complex web of factorsÑsuch as teacher quality, home support, parental involvement, class sizeÑthat affects learning, Graves points out. Murray and Murray (1999) argue that superintendents are not granted tenure, and should be given more job security, not added pressures. They state, ÒOur future educational systems cannot afford to be led by administrators who are afraid for their jobs.

**What Are the Potential Benefits of Performance Contracts?**

Supporters believe that pay-for-performance contracts create a set of clearly defined goals for the district to focus on. Instead of blindly embracing one reform after another, districts can concentrate their efforts on improving specific issues. ÒPerformance incentives set the destination and provide educators with a road map to get there, state Murphy and Pimentel (1996).

An additional potential benefit of performance contracts is a detailed, feedback-oriented evaluation system. The standard checklist evaluation is unsatisfactory and the system of pay unfair, Murphy and Pimentel argue. ÒStaff membersÉ get raises for the passage of time, for acquiring extra degrees.É Job performance is irrelevant. In contrast, performance contracts provide a detailed system of evaluation that rewards administrators for accomplishing goals (Murphy and Pimentel).

Paige, Sclafani, and Jimenez (1998) address another dimension that is sometimes integrated into performance contracts. Performance contracts in the Houston Independent School District allow the school board to buy out the remainder of a superintendent's contract if his or her job performance is unsatisfactory. This can save the district considerable time and money that would be involved in traditional dismissal.

Other supporters contend that performance contracts are not really about money, but are instead a symbolic demonstration of accountability. Most superintendents and board members agree that performance bonuses should be capped below 10 percent of the base salary. According to Philadelphia Superintendent Hornbeck, ÒIt's not the money for meÉ. [Pay-for-performance] is a symbol that we're deeply committed to a hard-edged accountability system that will hold my feet up to the fire (Bushweller). Performance contracts are viewed by some as a way to establish a new performance-based culture in education that rewards improvement and innovation (Lafee).

**What Do the Critics Say about Performance Contracts?**

Along with the potential benefits of pay-for-performance contracts come potential problems. Some worry that administrators will not be given the resources necessary to achieve their goals (Richardson 1994). Murphy and Pimentel caution that performance contracts should provide administrators with a support system that gives them a chance to improve before their salary is reduced. They argue that a performance contract should provide resources and support as well as assessments and standards. Failing to do so, they contend, is Òlike taking the temperature of a sick patient on a regular basis and never providing treatment. It becomes all diagnosis and no cure (Murphy and Pimentel).

Other critics argue that if it takes the lure of a larger paycheck to motivate a superintendent to improve job performance, then perhaps the real problem cannot be solved by a contract. Ken Baird, a trustee with the Hanford (California) Elementary School District, argues that if performance contracts are necessary to improve district and student performance, then the superintendent either has misplaced values and is not focused on student welfare, or is not being paid enough in the first place (Lafee).

The American School Board Journal and George Mason University survey found that 62 percent of superintendents do not believe that pay-for-performance contracts will help improve student achievementÑthe main indicator that many contracts focus on (Bushweller). After all, opponents argue, superintendents are not directly involved with teaching.

There are potential morale problems involved with performance contracts. Some believe rewarding superintendents for better test scores sends the wrong message to teachers and principals who are involved in the Òfront-line work (Lafee). In addition, some fear that superintendents, to enhance their own performance, could place Òunreasonable pressure on teachers and principals.

Clearly, the issue of performance contracts for administrators is controversial. Gray and Brown (1989) argue that Òin many ways, the education system is most appropriate as an institutional measure of how effective pay for performance can be. However, no one model of performance contracts can guarantee that districts will produce results. Instead, school boards and superintendents must work together to produce a contract that not only defines the district's priorities, but offers the necessary support to complete the job.

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